

A Xerox Company

buckconsultants[®]

Retirement Plan for Police Officers & Firefighters of the City of North Miami Beach

***Actuarial Valuation Report
as of October 1, 2012***

TABLE OF CONTENTS

	<u>Page Number</u>
Discussion	1
<u>Liabilities</u>	
Table I	Summary of Valuation Results..... 6
Table II	Gain and Loss Analysis..... 7
Table III	Accounting Disclosures (GASB 25/27)..... 9
Table IV	Present Value of Accrued Benefits..... 11
Table Iva	Present Value of Accrued Benefits-Florida Retirement System Interest Rate..... 12
Table V	Information Req. by Florida Statute Chapter 112..... 13
Table Va	Projection of Benefit Payments..... 19
Table Vb	Unfunded Liability Bases..... 20
<u>Assets</u>	
Table VI	Assets..... 22
Table VIa	Asset Reconciliation..... 23
Table VIb	Reconciliation of DROP Accounts..... 24
Table VIc	Use of State Premium Tax Contributions..... 25
Table VI d	Actuarial Value of Assets..... 26
Table VII	Historical Asset Information..... 28
Table VIIa	Revenues by Source and Expenses by Type..... 29
Table VIII	Contributions vs. Payments..... 30
<u>Data</u>	
Table IX	Summary of Member Data..... 31
Table IXa	Active Data 32
Table IXb	Retiree Data..... 33
Table IXc	Data Reconciliation..... 34
Table IXd	Age-Service-Salary Table (All Active Members)..... 35
Table X	Historical Contribution Rate..... 36
<u>Assumptions</u>	
Table XI	Actuarial Assumptions and Methods..... 37
Table XIa	Assumption Changes..... 40
<u>Plan Provisions</u>	
Table XII	Plan Provisions..... 41
Table XIIa	Plan Amendments..... 47

May 29, 2013

Retirement Committee
Retirement Plan for Police Officers & Firefighters of the
City of North Miami Beach
Room # 428
17011 NE 19th Ave.
North Miami Beach, FL 33162

October 1, 2012 Actuarial Valuation

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of the Retirement Plan (“Plan”) for Police Officers & Firefighters of the City of North Miami Beach as of October 1, 2012. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2012, and to determine the minimum required contribution amount for the fiscal year ending September 30, 2014, and to satisfy State reporting requirements. In addition, this report provides a record of any plan amendments or other plan changes affecting the financial status of the Plan.

Summary of Valuation Results

Currently, the Plan receives contributions from the City of North Miami Beach, the State of Florida through Chapter 175/185 and active members. In addition, a City contribution of \$750,000 is required by Ordinance 2010-22 in order to reach a 70% funding level by October 1, 2020. The dollar amount of the City’s contribution requirement for the 2013/2014 fiscal year is \$5,703,651 (94.56% of payroll) before reflecting the additional contribution required by Ordinance 2010-22 and \$6,453,651 after reflecting the additional requirement. For comparative purposes, the required City contribution for the 2012/2013 fiscal year was \$5,395,011 (62.48% of payroll) before reflecting the additional contribution required by Ordinance 2010-22 and \$6,145,011 after reflecting the additional requirement.

The City contribution of \$6,453,651 assumes payments are made monthly. If contributions are made on a quarterly basis, the City contribution requirement is \$6,397,737. The decrease in contribution reflects interest on payments being made earlier into the Plan’s assets.

Changes in Actuarial Assumptions Methods and Plan Provisions

This report also provides a record of changes in actuarial assumptions and methods as well as plan amendments or other plan changes affecting the financial status of the System.

Changes in Methods/Assumptions

The valuation assumptions were updated as of October 1, 2011 based on an experience study performed by Bolton Partners, Inc. Therefore, a detailed study of plan experience is not warranted at this time. However, we have identified three specific assumptions that were changed as follows:

- The mortality table used for healthy lives was changed from the RP-2000 Combined Healthy Mortality Table Blended 85% male and 15% female with no adjustment for future mortality improvements to the Fully Generational RP-2000 Combined Healthy Mortality Table for Males and Females with Blue Collar Adjustment. This change reflects the current Actuarial Standards of Practice which require the use of future mortality improvements and includes an adjustment for the blue collar nature of the work performed by public safety officers.
- The assumption regarding DROP membership was changed to reflect updated DROP experience. 80% of eligible active member retirements are assumed to join the DROP (versus 50% last year), with the remaining 20% retiring without utilizing the DROP.
- The payroll growth assumption was decreased from 3.66% to 3.0% based on the City's expectation for future payroll growth. This compares to the 10-year weighted average of payroll growth of 2.06%.

There have been no method changes since the prior valuation. The methods used in the valuation are outlined in Table XI.

Changes in Plan Provisions

This actuarial valuation reflects all provisions of the plan as amended through October 1, 2012. There have been no plan changes since the prior valuation. A summary of the plan provisions can be found in Table XII.

Discussion of Valuation Results

The dollar amount of the total required contributions (including City and State contributions) for fiscal year 2013/2014 is \$6,491,129 (110.85% of payroll) before reflecting the additional contribution required by Ordinance 2010-22. For comparative purposes, the total required contribution for the 2012/2013 fiscal year was \$6,405,621 (76.90% of payroll).

A decrease in active membership from 85 to 63 one year ago coupled with lower than expected salary increases and overtime worked, resulted in an increase in contributions as a percentage of payroll. The expected payroll for fiscal 2012/2013 is \$5,855,524. This compares to the expected payroll of \$8,329,848 for the 2011/2012 fiscal year. On a dollar basis, the contribution increased from the prior fiscal year. The main drivers for the change in the total contribution requirements are as follows:

- Overall contributions were expected to increase by \$234,000. This increase reflects level percent of payroll amortization of the unfunded actuarial accrued liability and the expected increase in the Plan's normal cost.
- The rate of return on the Actuarial Value of Asset during the 2011/2012 fiscal year was 3.1%, compared to the assumed return of 8.0%, resulting in an increase in the fiscal 2014 contribution of \$221,000. This reflects a deferral of gains that resulted from favorable market experience during fiscal 2011/2012 as well as the recognition of past losses, mainly driven by negative returns on the market value in 2008.
- Liability experience during the 2011/2012 fiscal year was favorable, resulting in a decrease in the fiscal 2014 contribution of \$156,000. This was driven mainly by lower than expected salary increases and overtime worked resulting in a decrease in salaries for current active members of 4.65% compared to an expected increase in salaries of 6.60%. The decrease in contributions due to salary increases was partially offset by higher than anticipated retirements (inclusive of those entering the DROP) and overall mortality losses for the retired firefighters.
- There was a reduction in the Plan's normal cost which resulted in a decrease of the fiscal 2014 contribution requirement of \$768,000. This reduction reflects lower than expected salaries and overtime worked as well as a reduction in the active member headcount from 85 to 63.
- The assumption changes which included an update to the mortality table used and an adjustment to expected DROP participation resulted in an overall increase in contributions of \$311,000

- The payroll growth assumption, limited to the 10-year weighted average of payroll growth, decreased from 3.66% to 3.00%, resulting in an increase in contributions of \$194,000.
- The average future lifetime of firefighters increased from 10.13 to 10.48 years, resulting in a decrease in contributions of \$13,000.
- Expected administrative and investment advisory expenses are higher than last year resulting in an increase in contributions of \$62,000.

After taking into account expected member contributions of \$649,963 (11.1% of payroll), expected State contributions of \$303,641 (5.18% of payroll) and adjusting for contribution timing, the City's contribution requirement is \$5,703,651 (94.56% of payroll) before reflecting the \$750,000 additional contribution required by Ordinance 2010-32. This compares to \$5,395,012 (62.48% of payroll) required for the prior fiscal year. The above factors contributed to the increase in City contribution requirements. Additionally, lower active membership and payroll has decreased the contributions expected to be received from active members. The active members are expected to contribute \$649,963 during the 2012/2013 fiscal year which compares to \$924,613 expected to be received during the 2011/2012 fiscal year.

Financial and Member Data

This valuation was performed using employee and financial data supplied by the City of North Miami Beach. The census data was received as of October 1, 2012. Buck did not audit this data, although it was reviewed for reasonableness and consistency with the prior year's information. The results of the valuation are dependent on the accuracy of the data. Tables IX through IXd provide a summary of the data used in the valuation.

GASB 25/27 Information

Governmental Accounting Standards Board Statement Nos. 25 and 27 (GASB 25/27) require the disclosure of certain information relative to plan funding. GASB 25 requires disclosure of funding progress and GASB 27 requires the calculation of the net pension obligation and annual pension cost. Results for the 2010/2011 and 2011/2012 fiscal years are shown in Table III.

Retirement Committee
City of North Miami Beach
May 29, 2013

Contents of the Report

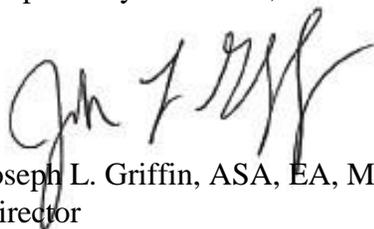
A summary of the results of the valuation is presented in Table I. Information for the auditors can be found in Tables III, IV and IVa. The disclosure information required by Chapter 112, Florida Statutes, is presented in Table V-Vb. Tables VI through VIII provide information about the fund's assets. Tables VIIa-VIII provides a historical record of the growth, expenditures, and annual returns of the Plan. Tables IX through IXd provide information regarding the participant population. The results displayed as of October 1, 2011 and for prior periods are from valuation reports prepared by Bolton Partners, Inc.

Certification

This actuarial valuation was prepared under our direct supervision and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate and, in our 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.

This valuation was prepared in accordance with the standards of practice prescribed by the Actuarial Standards Board, based on the current provisions of the Retirement Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan. We are members of the American Academy of Actuaries and meet the Academy's qualification standards to issue this Statement of Actuarial opinion. We are available to answer questions regarding any of the content within this report.

Respectfully submitted,



Joseph L. Griffin, ASA, EA, MAAA, FCA
Director
Enrollment No. 11-06938



Timothy G. Bowen, EA, MAAA, FCA
Senior Consultant
Enrollment No. 11-07204

JLG/TGB/cj

SUMMARY OF VALUATION RESULTS

TABLE I

	<u>October 1, 2011</u>	<u>October 1, 2012</u>
1. Number of Members		
a. Active Members	85	63
b. DROP Members	27	33
c. Deferred Vested Members	0	2
d. Retired Members:		
i. Non-disabled	94	96
ii. Disabled	9	9
iii. Beneficiaries	7	7
iv. Sub-total	<u>110</u>	<u>112</u>
e. Total Members	222	210
2. Total Annual Compensation	\$ 7,815,674	\$ 5,555,855
3. Valuation Payroll	\$ 8,329,848	\$ 5,855,524
4. DROP Member Benefits	\$ 1,623,011	\$ 2,068,293
5. Retired Member Benefits	\$ 5,322,387	\$ 5,467,875
6. Annual Contribution		
a. Present Value of Future Benefits	\$ 133,848,438	\$ 135,792,791
b. Present Value of Future Normal Cost	18,154,363	11,553,569
<i>City Portion</i>	10,674,592	6,893,158
<i>Member Portion</i>	7,479,771	4,660,411
c. Actuarial Accrued Liability (AAL)	115,694,075	124,239,222
d. Actuarial Value of Assets	(71,366,639)	(74,792,748)
e. Unfunded AAL (UAAL)	<u>\$ 44,327,436</u>	<u>\$ 49,446,474</u>
f. Normal Cost	\$ 2,338,080	\$ 1,719,240
g. Amortization Amount	3,304,679	3,927,624
h. Administrative Expenses	521,053	599,228
i. Interest for Monthly Payments	241,809	245,037
j. Total	<u>\$ 6,405,621</u>	<u>\$ 6,491,129</u>
k. Expected Member Contributions	\$ 924,613	\$ 649,963
l. Expected State Contributions	276,483	303,641
m. Estimated City Contributions	5,204,525	5,537,525
n. Total	<u>\$ 6,405,621</u>	<u>\$ 6,491,129</u>
7. Annual Contributions (as a % of Valuation Payroll)		
a. Total Required Contributions	76.90%	110.85%
b. Expected Member Contributions	11.10%	11.10%
c. Expected State Contributions	3.32%	5.19%
d. Estimated City Contributions	62.48%	94.56%
8. Contribution Required by Ordinance 2010-22	\$ 750,000	\$ 750,000
9. City Contribution for the Following Fiscal Year	\$ 6,145,011	\$ 6,453,651

1. Actual Unfunded Accrued Liability as of October 1, 2011	\$	44,327,436
2. Expected Change in Unfunded Liability During the 2011/2012 Plan Year		
a. Due to Employer Normal Cost and Admin/Investment Expenses*	\$	2,365,265
b. Due to Interest on the Unfunded Liability		3,546,195
c. City and State Contributions**		(6,053,953)
d. Due to Interest on City and State Contributions		(237,499)
e. Total Expected Change	\$	(379,992)
3. Expected Unfunded Accrued Liability as of October 1, 2012	\$	43,947,444
4. Change in Unfunded Liability During the 2011/2012 Plan Year Due to:		
a. Method Changes	\$	0
b. Assumption Changes		4,473,438
c. Plan Amendments		0
d. Experience (Gain)/Loss		1,025,592
e. Total Change	\$	5,499,030
5. Actual Unfunded Accrued Liability as of October 1, 2012	\$	49,446,474
6. Development of Outstanding Amortization Obligations as of October 1, 2012		
a. Expected Outstanding Obligations as of October 1, 2012	\$	44,304,579
b. Assumption Changes		4,473,438
c. Plan Amendments		0
d. Experience (Gain)/Loss		1,025,592
e. (Gain)/Loss due to Contribution Timing		(357,135)
f. Total Outstanding Obligations as of October 1, 2012	\$	49,446,474
7. Items Affecting Calculation of Accrued Liability		
a. Plan provisions reflected in the accrued liability (see Table XII on page 41)		
b. Plan amendments reflected in item 4.c. above (see Table XIIa on page 47)		
c. Actuarial assumptions and methods used to determine accrued liability (see Table XI on page 37)		
d. Changes in actuarial assumptions and methods reflected in items 4.a. and 4.b. above (see Table XIa on page 40)		

* The normal cost represents the employer portion only, net of actual employee contributions and including actual administrative and investment expenses.

** City and State Contributions of \$6,467,339 less State Contributions reserved for future benefit improvements of \$76,784 less one-time use of \$238,323 less base amount of \$98,279 previously used to provide a 2.0% COLA that is now distributed through the Share Plan as excess premium tax reserves (see Table VIc on page 25).

8. Expected Unfunded Accrued Liability Contribution Rate as of September 30, 2012		39.67%
9. Net Actuarial (Gains)/Losses During the 2011/2012 Plan Year		
a. Due to Salary/Service/Data	(1.03%)	
b. Due to Investment Performance	2.65%	
c. Due to Turnover/Mortality	(1.01%)	
d. Due to New Retirements	1.14%	
e. Due to Difference and Timing in Contributions	(0.25%)	
f. Due to New Members	0.00%	
g. Total		1.50%
10. Change in Unfunded Accrued Liability Rate During the 2011/2012 Plan Year Due to:		
a. Decrease in payroll growth assumption	2.35%	
b. Assumption changes	3.30%	
c. Plan amendments	0.00%	
d. Total Change		5.65%
11. Other Effects		20.26%
12. Unfunded Accrued Liability Contribution Rate as of October 1, 2012		67.08%
13. Comments on Change in Unfunded Accrued Liability Contribution Rate:		

Salary/Service/Data: Average salary increases of -4.65% compared to expected increases of 6.60%.

Investment Performance: 3.13% actual vs. 8.00% expected return on the actuarial value of assets.

Turnover/Mortality: Net effect on the valuation liabilities of actual deaths, terminations of employment, and disabilities different from what was anticipated in the aggregate by the assumptions related to those events.

New retirements: Greater than expected retirements (including DROP).

Decrease in payroll growth assumption: Payroll growth limited to the 10 year average of 3.0%.

Due to Differences and Timing of Contributions: Due to the one year lag of when the required contribution is determined and when it is deposited into the Plan's assets.

Assumption changes: Please refer to Table XIa for a summary of changes.

Plan amendments: None.

Other effects: Overall payroll decreases and adjustments in the amortization of the unfunded actuarial accrued liability.

	Fiscal Year 2011/2012	Fiscal Year 2012/2013
A. Number of Plan Participants as of October 1		
a. Retirees and beneficiaries receiving benefits	110	112
b. Terminated plan participants entitled to but not yet receiving benefits	0	2
c. DROP	27	33
d. Active plan participants	85	63
e. Total	<u>222</u>	<u>210</u>

Valuation Year	2010	2011
B. Development of Annual Required Contribution (ARC)		
a. Employer normal cost:		
i. Total normal cost	\$ 2,919,370	\$ 2,859,133
ii. Expected employee/state contribution	(1,270,148)	(1,201,096)
iii. Interest for monthly payments	231,674	241,809
iv. Employer normal cost	<u>\$ 1,880,896</u>	<u>\$ 1,899,846</u>
b. Amortization of UAAL:		
i. PV of future benefits	\$ 131,071,284	\$ 133,848,438
ii. PV of future employer normal costs	(11,503,935)	(10,674,592)
iii. PV of future employee contributions	(8,235,582)	(7,479,771)
iv. Actuarial accrued liability (AAL)	\$ 111,331,767	\$ 115,694,075
v. Actuarial value of assets	(68,869,580)	(71,366,639)
vi. Unfunded AAL (UAAL)	\$ 42,462,187	\$ 44,327,436
vii. Amort. of UAAL	2,986,093	3,304,679
c. ARC	<u>\$ 5,061,668</u>	<u>\$ 5,395,011</u>
((Item B.a.iv. + item B.b.vii.) x assumed payroll growth)		

C. Annual Pension Cost and Net Pension Obligation (NPO)		
a. ARC	\$ 5,061,668	\$ 5,395,011
b. Interest on NPO	(385,732)	(444,704)
c. Adjustment to ARC	336,016	408,745
d. Annual Pension Cost	<u>\$ 5,011,952</u>	<u>\$ 5,359,052</u>
e. Contributions made	(5,749,099)	
f. Increase (decrease) in NPO	\$ (737,147)	
g. NPO (beginning of year)	(4,821,653)	
h. NPO (end of year)	<u>\$ (5,558,800)</u>	

D. Three Year Trend Information (\$ dollars)

Year Ended September 30	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage Contributed	Net Pension Obligation
2010	\$4,503,329	\$7,571,660	168%	(\$3,997,537)
2011	\$4,558,457	\$5,382,573	118%	(\$4,821,653)
2012	\$5,011,952	\$5,749,099	115%	(\$5,558,800)

E. Schedule of Funding Progress (\$ thousands)

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)
10/1/2007	\$57,040	\$93,920	\$36,880	60.7%	\$9,609	383.8%
10/1/2008	\$61,127	\$100,613	\$39,486	60.8%	\$9,286	425.2%
10/1/2009	\$63,273	\$106,410	\$43,137	59.5%	\$8,916	483.8%
10/1/2010	\$68,870	\$111,332	\$42,462	61.9%	\$8,799	482.6%
10/1/2011	\$71,367	\$115,694	\$44,327	61.7%	\$8,330	532.1%
10/1/2012	\$74,793	\$124,239	\$49,446	60.2%	\$5,856	844.4%

F. Additional Information

Valuation date	<u>October 1, 2011</u>	<u>October 1, 2012</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period		
Police Officers	8 to 30 Years	7 to 30 Years
Firefighters (average remaining lifetime)	10.18 Years	10.48 Years
Asset valuation method	Market Related Value	Market Related Value
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.00% - 12.00%	3.00% - 12.00%
Payroll growth	3.66%	3.00%
Cost-of-living adjustments	2.5% for Police Officers	2.5% for Police Officers

**PRESENT VALUE OF ACCRUED BENEFITS-
FUNDING INTEREST RATE**

TABLE IV

1. Actuarial Present Value of Accrued Benefits

	<u>October 1, 2011</u>	<u>October 1, 2012</u>
a. Vested Accrued Benefits:		
i. Inactive members and beneficiaries	\$ 88,568,337	\$ 102,496,171
ii. Active members	12,115,168	11,518,582
iii. Sub-total	<u>\$ 100,683,505</u>	<u>\$ 114,014,753</u>
b. Non-vested Accrued Benefits	10,293,513	6,694,094
c. Total Benefits	<u>\$ 110,977,018</u>	<u>\$ 120,708,847</u>
d. Market Value of Assets	<u>\$ 63,992,342</u>	<u>\$ 77,518,560</u>
e. Percentage Funded	57.7%	64.2%
f. Interest Rate	8.00%	8.00%

2. Statement of Changes in Total Actuarial Present Value of All Accrued Benefits

a. Actuarial Present Value as of October 1, 2011	<u>\$ 110,977,018</u>
b. Increase (Decrease) During 2011/2012 Plan Year Attributable to:	
i. Interest	\$ 8,614,686
ii. Benefits accumulated	3,303,814
iii. Benefits paid	(6,586,891)
iv. Plan amendments	0
v. Changes in actuarial assumptions or methods	4,400,220
vi. Net increase (decrease)	<u>\$ 9,731,829</u>
c. Actuarial Present Value as of October 1, 2012	<u>\$ 120,708,847</u>

3. Items Affecting Calculation of Actuarial Present Value of Accrued Benefits

- a. Plan provisions reflected in the accrued benefits (see Table XII page 41)
- b. Plan amendments reflected in item 2.b.iv. above (see Table XIIa on page 47)
- c. Actuarial assumptions and methods used to determine present values (see Table XI on page 37)
- d. Changes in actuarial assumptions and methods reflected in item 2.b.v. above (see Table XIa on page 40)

**PRESENT VALUE OF ACCRUED BENEFITS-
FLORIDA RETIREMENT SYSTEM INTEREST RATE**

TABLE IVa

1. Actuarial Present Value of Accrued Benefits

	<u>October 1, 2011</u>	<u>October 1, 2012</u>
a. Vested Accrued Benefits:		
i. Inactive members and beneficiaries	\$ 88,568,337	\$ 104,988,100
ii. Active members	12,115,168	12,113,412
iii. Sub-total	<u>\$ 100,683,505</u>	<u>\$ 117,101,512</u>
b. Non-vested Accrued Benefits	<u>10,293,513</u>	<u>6,891,292</u>
c. Total Benefits	\$ 110,977,018	\$ 123,992,804
d. Market Value of Assets	\$ 63,992,342	\$ 77,518,560
e. Percentage Funded	57.7%	62.5%
f. Interest Rate	8.00%	7.75%

2. Statement of Changes in Total Actuarial Present Value of All Accrued Benefits

a. Actuarial Present Value as of October 1, 2011	\$ 110,977,018
b. Increase (Decrease) During 2011/2012 Plan Year Attributable to:	
i. Interest	\$ 8,614,686
ii. Benefits accumulated	3,303,814
iii. Benefits paid	(6,586,891)
iv. Plan amendments	0
v. Changes in actuarial assumptions or methods	7,684,177
vi. Net increase (decrease)	<u>\$ 13,015,786</u>
c. Actuarial Present Value as of October 1, 2012	\$ 123,992,804

3. Items Affecting Calculation of Actuarial Present Value of Accrued Benefits

- a. Plan provisions reflected in the accrued benefits (see Table XII page 41)
- b. Plan amendments reflected in item 2.b.iv. above (see Table XIIa on page 47)
- c. Actuarial assumptions and methods used to determine present values (see Table XI on page 37)
- d. Changes in actuarial assumptions and methods reflected in item 2.b.v. above (see Table XIa on page 40)

	<u>October 1, 2012</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
1. Participant Data			
a. Active members:			
i. Number	63	0	63
ii. Total annual payroll	\$ 5,555,855	\$ 0	\$ 5,555,855
iii. Valuation annual payroll	5,855,524	0	5,855,524
b. DROP members			
i. Number	\$ 33	\$ 0	\$ 33
ii. Total annualized benefit	2,068,293	0	2,068,293
iii. Accumulated balances	6,951,913	0	6,951,913
c. Retired members and beneficiaries:			
i. Number	89	14	103
ii. Total annualized benefit (excludes iii. below)	\$ 4,678,135	\$ 636,244	\$ 5,314,379
iii. 9.5% benefit increase	n/a	53,607	53,607
d. Disabled members receiving benefits:			
i. Number	9	0	9
ii. Total annualized benefit	\$ 153,496	\$ 0	\$ 153,496
e. Terminated vested members:			
i. Number	2	0	2
ii. Total annualized benefit	\$ 47,616	\$ 0	\$ 47,616
2. Assets			
a. Actuarial Value of Assets (allocated)	\$ 71,245,746	\$ 3,547,002	\$ 74,792,748
b. Market Value of Assets			77,518,560
3. Liabilities			
a. Present value of all future expected benefit payments:			
i. Active members:			
Retirement benefits	\$ 31,664,700	\$ 0	\$ 31,664,700
Vesting benefits	447,054	0	447,054
Disability benefits	1,153,648	0	1,153,648
Death benefits	442,002	0	442,002
Return of member contributions	(410,784)	0	(410,784)
Sub-total	\$ 33,296,620	\$ 0	\$ 33,296,620
ii. DROP members	\$ 34,718,554	\$ 0	\$ 34,718,554
iii. Terminated vested members	\$ 399,866	\$ 0	\$ 399,866
iv. Retired members and beneficiaries:			
Retired (other than disabled) and beneficiaries	\$ 61,047,491	\$ 5,117,072	\$ 66,164,563
Disabled members	1,213,188	0	1,213,188
Sub-total	\$ 62,260,679	\$ 5,117,072	\$ 67,377,751
v. Total present value of all prospective benefits	\$ 130,675,719	\$ 5,117,072	\$ 135,792,791

	<u>October 1, 2012</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
b. Liabilities due and unpaid	\$ 0	\$ 0	\$ 0
c. Actuarial accrued liability	\$ 119,122,150	\$ 5,117,072	\$ 124,239,222
d. Unfunded actuarial accrued liability	\$ 47,876,404	\$ 1,570,070	\$ 49,446,474
4. Actuarial Present Value of Accrued Benefits (refer to Table IV for further details)	\$ 115,591,775	\$ 5,117,072	\$ 120,708,847
5. Pension Cost			
a. Normal cost plus interest for monthly payments			
Retirement benefits	\$ 1,488,686	\$ 0	\$ 1,488,686
Vesting benefits	58,967	0	58,967
Disability benefits	117,091	0	117,091
Death benefits	54,497	0	54,497
Return of member contributions	0	0	0
Total normal cost	<u>\$ 1,719,241</u>	<u>\$ 0</u>	<u>\$ 1,719,241</u>
Administrative expenses	570,810	28,418	599,228
Interest for monthly payments	89,840	1,115	90,955
Total normal cost including administrative expenses	<u>\$ 2,379,891</u>	<u>\$ 29,533</u>	<u>\$ 2,409,424</u>
As a % of valuation payroll			41.16%
b. Payment to amortize unfunded liability	\$ 3,888,761	\$ 192,946	\$ 4,081,707
As a % of valuation payroll			69.71%
c. Expected State Contribution	\$ 247,891	\$ 55,750	\$ 303,641
As a % of valuation payroll			5.19%
d. Amount to be contributed by members	\$ 649,962	\$ 0	\$ 649,963
As a % of valuation payroll			11.10%
e. Expected City Contribution:	\$ 5,370,799	\$ 166,729	\$ 5,537,527
As a % of valuation payroll			94.58%
g. Expected City Contribution for the following fiscal year:	\$ 5,531,923	\$ 171,731	\$ 5,703,653
6. Past Contributions (for year ending September 30, 2012)			
a. Required Employer and State contribution	\$ 5,245,154	\$ 109,981	\$ 5,355,135
b. Actual contribution made by:			
i. Employer			\$ 5,749,099
ii. State			303,641
iii. Members			724,102
iv. Members buybacks			771,643

	<u>October 1, 2012</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
7. Net actuarial (gain)/loss	\$ 248,028	\$ 420,429	\$ 668,457
8. Other disclosures			
a. Present value of active members':			
i. Future salaries:			
at attained age	\$ 41,985,686	\$ 0	\$ 41,985,686
at entry age	n/a	n/a	n/a
ii. Future contributions:			
at attained age	\$ 4,660,411	\$ 0	\$ 4,660,411
at entry age	n/a	n/a	n/a
b. Present value of future contributions from City and State	\$ 6,893,158	\$ 0	\$ 6,893,158
c. Present value of future expected benefit payments for active members at entry age	n/a	n/a	n/a
d. Amount of active members' accumulated contributions	\$ 6,237,216	\$ 0	\$ 6,237,216

	<u>October 1, 2011</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
1. Participant Data			
a. Active members:			
i. Number	85	0	85
ii. Total annual payroll	\$ 7,815,674	\$ 0	\$ 7,815,674
iii. Valuation annual payroll	8,329,848	0	8,329,848
b. DROP members			
i. Number	\$ 27	\$ 0	\$ 27
ii. Total annualized benefit	1,623,011	0	1,623,011
iii. Accumulated balances	5,245,175	0	5,245,175
c. Retired members and beneficiaries:			
i. Number	86	15	101
ii. Total annualized benefit (excludes iii. below)	\$ 4,456,419	\$ 712,731	\$ 5,169,150
ii. 9.5% benefit increase	0	55,450	55,450
d. Disabled members receiving benefits:			
i. Number	9	0	9
ii. Total annualized benefit	\$ 153,237	\$ 0	\$ 153,237
e. Terminated vested members:			
i. Number	0	0	0
ii. Total annualized benefit	\$ 0	\$ 0	\$ 0
2. Assets			
a. Actuarial Value of Assets (allocated)	\$ 67,363,429	\$ 4,003,210	\$ 71,366,639
b. Market Value of Assets			77,518,560
3. Liabilities			
a. Present value of all future expected benefit payments:			
i. Active members:			
Retirement benefits	\$ 43,183,527	\$ 0	\$ 43,183,527
Vesting benefits	584,322	0	584,322
Disability benefits	1,336,062	0	1,336,062
Death benefits	812,194	0	812,194
Return of member contributions	(213,865)	0	(213,865)
Sub-total	\$ 45,702,240	\$ 0	\$ 45,702,240
ii. DROP members	\$ 26,673,192	\$ 0	\$ 26,673,192
iii. Terminated vested members	\$ 0	\$ 0	\$ 0
iv. Retired members and beneficiaries:			
Retired (other than disabled) and beneficiaries	\$ 55,225,026	\$ 5,016,550	\$ 60,241,576
Disabled members	1,231,441	0	1,231,441
Sub-total	\$ 56,456,467	\$ 5,016,550	\$ 61,473,017
v. Total present value of all prospective benefits	\$ 128,831,899	\$ 5,016,550	\$ 133,848,449

	<u>October 1, 2011</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
b. Liabilities due and unpaid	\$ 0	\$ 0	\$ 0
c. Actuarial accrued liability	\$ 110,677,536	\$ 5,016,550	\$ 115,694,086
d. Unfunded actuarial accrued liability	\$ 43,314,107	\$ 1,013,340	\$ 44,327,447
4. Actuarial Present Value of Accrued Benefits (refer to Table IV for further details)	\$ 105,538,332	\$ 5,016,550	\$ 110,554,882
5. Pension Cost			
a. Normal cost plus interest for monthly payments			
Retirement benefits	\$ 2,072,093	\$ 0	\$ 2,072,093
Vesting benefits	63,738	0	63,738
Disability benefits	119,121	0	119,121
Death benefits	83,128	0	83,128
Return of member contributions	0	0	0
Total normal cost	<u>\$ 2,338,080</u>	<u>\$ 0</u>	<u>\$ 2,338,080</u>
Administrative expenses	491,825	29,228	521,053
Interest for monthly payments	111,019	1,147	112,165
Total normal cost including administrative expenses	<u>\$ 2,940,924</u>	<u>\$ 30,375</u>	<u>\$ 2,971,298</u>
As a % of valuation payroll			35.67%
b. Payment to amortize unfunded liability	\$ 3,309,879	\$ 124,443	\$ 3,434,322
As a % of valuation payroll			41.23%
c. Expected State Contribution	\$ 219,520	\$ 56,963	\$ 276,483
As a % of valuation payroll			3.32%
d. Amount to be contributed by members	\$ 924,612	\$ 0	\$ 924,613
As a % of valuation payroll			11.10%
e. Expected City Contribution:	\$ 5,106,671	\$ 97,855	\$ 5,204,524
As a % of valuation payroll			62.48%
g. Expected City Contribution for the following fiscal year:	\$ 5,259,871	\$ 100,791	\$ 5,360,660
6. Past Contributions (for year ending September 30, 2012)			
a. Required Employer and State contribution	\$ 5,245,154	\$ 109,981	\$ 5,355,135
b. Actual contribution made by:			
i. Employer			\$ 7,571,660
ii. State			276,483
iii. Members			1,224,972

	<u>October 1, 2011</u>		
	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
15. Net actuarial (gain)/loss	\$ 1,296,470	\$ 375,499	\$ 1,671,969
16. Other disclosures			
a. Present value of active members':			
i. Future salaries:			
at attained age	\$ 64,384,850	\$ 0	\$ 64,384,850
at entry age	n/a	n/a	n/a
ii. Future contributions:			
at attained age	\$ 7,479,771	\$ 0	\$ 7,479,771
at entry age	n/a	n/a	n/a
b. Present value of future contributions from City and State	\$ 10,674,592	\$ 0	\$ 10,674,592
c. Present value of future expected benefit payments for active members at entry age	n/a	n/a	n/a
d. Amount of active members' accumulated contributions	\$ 7,639,540	\$ 0	\$ 7,639,540

PROJECTION OF BENEFIT PAYMENTS**Table Va**

Fiscal Year <u>Beginning</u>	<u>Emerging Retirees</u>	<u>Retired Members</u>	<u>Total</u>
2012	\$ 18,490	\$ 6,106,254	\$ 6,124,744
2013	187,392	7,397,685	7,585,076
2014	380,412	6,781,320	7,161,732
2015	576,310	9,781,838	10,358,148
2016	879,996	8,330,171	9,210,167
2017	1,322,882	11,893,953	13,216,835
2018	1,601,871	9,510,085	11,111,956
2019	2,122,850	8,537,184	10,660,034
2020	2,431,059	13,044,784	15,475,843
2021	2,682,740	7,927,631	10,610,371
2022	2,870,955	7,973,698	10,844,653
2023	2,951,417	8,006,257	10,957,674
2024	3,252,807	8,048,217	11,301,024
2025	3,489,360	8,061,205	11,550,565
2026	3,795,204	8,074,632	11,869,836

UNFUNDED LIABILITY BASES

TABLE Vb

Description	Outstanding Balance as of October 1, 2011	2011/2012 Amortization Payment	Outstanding Balance as of October 1, 2012	2012/2013 Amortization Payment	Years Remaining October 1, 2012
Police Officers					
1. 10/1/1989 Unfunded Liability	\$ 3,433,773	\$ 493,298	\$ 3,175,713	\$ 520,658	7
2. 10/1/1990 Actuarial Losses	2,667,168	347,237	2,505,525	367,539	8
3. 10/1/1991 Actuarial Gains	(4,374,472)	(522,483)	(4,160,148)	(554,580)	9
4. 10/1/1992 Actuarial Gains	(1,109,434)	(122,779)	(1,065,587)	(130,680)	10
5. 10/1/1993 Actuarial Gains	(2,153,417)	(222,624)	(2,085,256)	(237,592)	11
6. 10/1/1994 Actuarial Losses	2,688,863	261,456	2,621,600	279,777	12
7. 10/1/1994 Plan Amendment	919,886	89,447	896,874	95,714	12
8. 10/1/1995 Actuarial Gains	(4,145,175)	(381,309)	(4,064,975)	(409,095)	13
9. 10/1/1995 Assumption Change	1,630,223	149,962	1,598,682	160,890	13
10. 10/1/1996 Actuarial Gains	(446,793)	(39,076)	(440,334)	(42,031)	14
11. 10/1/1996 Assumption Change	(204,916)	(17,922)	(201,954)	(19,277)	14
12. 10/1/1996 Plan Amendment	11,683,356	1,021,802	11,514,478	1,099,079	14
13. 10/1/1997 Actuarial Gains	(1,748,330)	(146,003)	(1,730,513)	(157,442)	15
14. 10/1/1997 Plan Amendment	4,445,926	371,280	4,400,618	400,367	15
15. 10/1/1997 Assumption Change	(7,692,610)	(642,411)	(7,614,215)	(692,739)	15
16. 10/1/1998 Actuarial Losses	365,233	29,234	362,879	31,603	16
17. 10/1/1998 Plan Amendment	1,511,509	120,985	1,501,766	130,786	16
18. 10/1/1999 Actuarial Gains	(1,175,650)	(90,495)	(1,171,967)	(98,064)	17
19. 10/1/2000 Actuarial Losses	1,646,193	122,218	1,645,893	132,758	18
20. 10/1/2001 Actuarial Losses	14,258,355	1,023,718	14,293,408	1,114,606	19
21. 10/1/2001 Assumption Change	1,954,448	140,325	1,959,253	152,783	19
22. 10/1/2001 Methodology Change	(12,729,770)	(913,969)	(12,761,065)	(995,113)	19
23. 10/1/2001 Plan Amendment - Police	(108,145)	(7,765)	(108,410)	(8,454)	19
24. 10/1/2002 Actuarial Losses	9,595,543	667,827	9,641,933	728,791	20
25. 10/1/2002 Assumption Change	4,423,650	307,875	4,445,037	335,980	20
26. 10/1/2003 Actuarial Gains	(1,502,774)	(101,601)	(1,513,267)	(111,126)	21
27. 10/1/2003 Plan Amendment - Police	1,589,205	107,445	1,600,301	117,518	21
28. 10/1/2004 Plan Amendment - Police	241,983	15,924	244,144	17,455	22
29. 10/1/2004 Plan Amendment - Police	486,454	32,011	490,798	35,089	22
30. 10/1/2004 Assumption Change	733,915	48,295	740,470	52,939	22
31. 10/1/2004 Actuarial Losses	6,918,293	455,254	6,980,082	499,037	22
32. 10/1/2005 Actuarial Losses	3,060,596	196,370	3,093,364	215,723	23
33. 10/1/2005 Methodology Change	946,509	60,729	956,642	66,714	23
34. 10/1/2006 Assumption Change	647,103	40,546	655,082	44,637	24
35. 10/1/2006 Actuarial Losses	1,935,660	121,285	1,959,525	133,522	24
36. 10/1/2007 Assumption Change	(399,171)	(24,462)	(404,686)	(26,986)	25
37. 10/1/2007 Actuarial Gains	(1,407,534)	(86,255)	(1,426,981)	(95,156)	25
38. 10/1/2008 Actuarial Losses	2,012,529	120,782	2,043,087	133,518	26
39. 10/1/2009 Actuarial Losses	2,947,879	173,477	2,996,354	192,153	27
40. 10/1/2010 Actuarial Gains	(463,223)	(26,760)	(471,380)	(29,700)	28
41. 10/1/2010 Assumption Change	(1,065,212)	(61,537)	(1,083,969)	(68,296)	28
42. 10/1/2011 Actuarial Losses	1,296,470	73,603	1,320,695	81,844	29
43. 10/1/2012 Actuarial Losses			248,028	15,133	30
44. 10/1/2012 Assumption Change			4,288,880	261,680	30
Total - Police Officers	\$ 43,314,096	\$ 3,184,934	\$ 47,876,404	\$ 3,741,962	

UNFUNDED LIABILITY BASES

**TABLE Vb
(continued)**

<u>Description</u>	<u>Outstanding Balance as of October 1, 2011</u>	<u>2011/2012 Amortization Payment</u>	<u>Outstanding Balance as of October 1, 2012</u>	<u>2012/2013 Amortization Payment</u>	<u>Years Remaining October 1, 2012</u>
<u>Firefighters*</u>					
1. 10/1/2012 Unfunded Liability	\$ 1,013,340	\$ 119,745	\$ 965,083	\$ 114,122	10.4800
2. 10/1/2012 Actuarial Loss			420,429	49,716	10.4800
3. 10/1/2012 Assumption Change			184,558	21,824	10.4800
Total - Firefighters	\$ 1,013,340	\$ 119,745	\$ 1,570,070	\$ 185,662	
Grand Total	\$ 44,327,436	\$ 3,304,679	\$ 49,446,474	\$ 3,927,624	

<u>Date</u>	<u>Projected Unfunded Liability</u>
October 1, 2012	\$ 49,446,474
October 1, 2013	49,160,358
October 1, 2014	48,724,098
October 1, 2042	0

*The unfunded actuarial accrued liability for firefighters is amortized over the average future lifetime of the firefighters.

	<u>October 1, 2011</u>	<u>October 1, 2012</u>
1. Market Value of Assets*		
a. Cash and cash equivalents (3.6%)	\$ 2,780,541	\$ 2,773,905
b. U.S. government bonds & notes (19.1%)	12,003,200	14,780,448
c. Corporate bonds (14.8%)	13,419,802	11,466,451
d. Equities (58.9%)	35,588,993	45,651,651
e. Insurance contracts (0.0%)	0	0
f. Real estate (4.0%)	0	3,152,581
g. Mortgages/loans (0.0%)	0	0
h. Other assets (0.0%)	0	0
i. Accrued income receivable (0.4%)	356,429	312,177
j. Supplemental state contribution receivable (0.2%)	127,978	165,519
k. Other receivables (0.0%)	0	1,855
l. Benefits payable (0.0%)	0	0
m. Other payables (-0.9%)	(219,806)	(721,232)
n. Excess state contributions (Police) (-0.1%)	(64,795)	(64,795)
o. Market Value of Assets	<u>\$ 63,992,342</u>	<u>\$ 77,518,560</u>

* The percentages in parentheses indicate the proportion of assets committed to each type of investment as of October 1, 2012.

ASSET RECONCILIATION**TABLE VIa**

Year Ending	<u>September 30, 2011</u>	<u>September 30, 2012</u>
1. Market Value of Assets as of the beginning of the year	\$ 62,884,072	\$ 63,992,342
2. Increases Due to:		
a. Contributions:		
i. Employer	\$ 5,382,573	\$ 5,749,099
ii. Members	1,083,698 *	724,102
iii. Member buybacks		771,643
iv. State 185	219,520	247,891
v. State 175 regular	267,430	304,830
vi. State 175 supplemental	127,978	165,519
vii. Total	<u>\$ 7,081,199</u>	<u>\$ 7,963,084</u>
b. Investment income (interest and dividends)	2,061,067	2,320,395
c. Realized and unrealized gains/(losses)	(1,862,779)	10,393,275
d. Other Income	16,164	6,630
e. Total increases	<u>\$ 214,452</u>	<u>\$ 12,720,300</u>
3. Decreases Due to:		
a. Benefit payments annuities	\$ (5,303,905)	\$ (5,659,106)
b. Benefit payments DROP distributions	(276,300)	(430,384)
b. Refund of member contributions	(60,574)	(497,401)
c. Investment expenses	(342,609)	(371,935)
d. Administrative expenses	(203,993)	(198,340)
e. Adjustment	0	0
f. Total decreases	<u>\$ (6,187,381)</u>	<u>\$ (7,157,166)</u>
4. Market Value of Assets as of the end of the year	\$ 63,992,342	\$ 77,518,560

*Includes Member Buyback Contributions

RECONCILIATION OF DROP ACCOUNTS**Table VIb**

Year Ending	<u>September 30, 2011</u>	<u>September 30, 2012</u>
1. Market Value of Assets as of the beginning of the year	\$ 3,641,687	\$ 5,245,175
2. Increases Due to:		
a. Contributions to DROP Accounts	\$ 1,538,164	\$ 1,674,017
b. Investment Return	341,624	463,105
c. Total increases	<u>\$ 1,879,788</u>	<u>\$ 2,137,122</u>
3. Decreases Due to:		
a. Pension Payments	\$ (276,300)	\$ (430,384)
b. Expense Charges	0	0
c. Total decreases	<u>\$ (276,300)</u>	<u>\$ (430,384)</u>
4. Market Value of Assets as of the end of the year	\$ 5,245,175	\$ 6,951,913

USE OF STATE PREMIUM TAX CONTRIBUTIONS**Table VIc**

Year Ending	<u>September 30, 2011</u>	<u>September 30, 2012</u>
Total		
1. Accumulated balance at the beginning of the year	\$ 114,245	\$ 249,513
2. State Contributions	614,928	718,240
3. One-time use for benefit improvements	(104,898)	(238,323)
4. Amount to be used by the City	(374,762)	(403,133) *
5. Increase in accumulated balance during the year	<u>135,268</u>	<u>76,784</u>
6. Accumulated balance at the end of the year (1. + 5.)	\$ 249,513	\$ 326,297
Police Officers		
1. Accumulated balance at the beginning of the year	\$ 64,795	\$ 64,795
2. State Contributions	219,520	247,891
3. One-time use for benefit improvements	0	0
4. Amount to be used by the City	(219,520)	(247,891)
5. Increase in accumulated balance during the year	<u>0</u>	<u>0</u>
6. Accumulated balance at the end of the year (1. + 5.)	\$ 64,795	\$ 64,795
Firefighters		
1. Accumulated balance at the beginning of the year	\$ 49,450	\$ 184,718
2. State Contributions	395,408	470,349
3. One-time use for benefit improvements	(104,898)	(238,323)
4. Amount to be used by the City	(155,242)	(155,242) *
5. Increase in accumulated balance during the year	<u>135,268</u>	<u>76,784</u>
6. Accumulated balance at the end of the year (1. + 5.)	\$ 184,718	\$ 261,502

*Includes \$98,279 previously used to provide a 2.0% COLA that is now distributed as a Share Plan allocation.

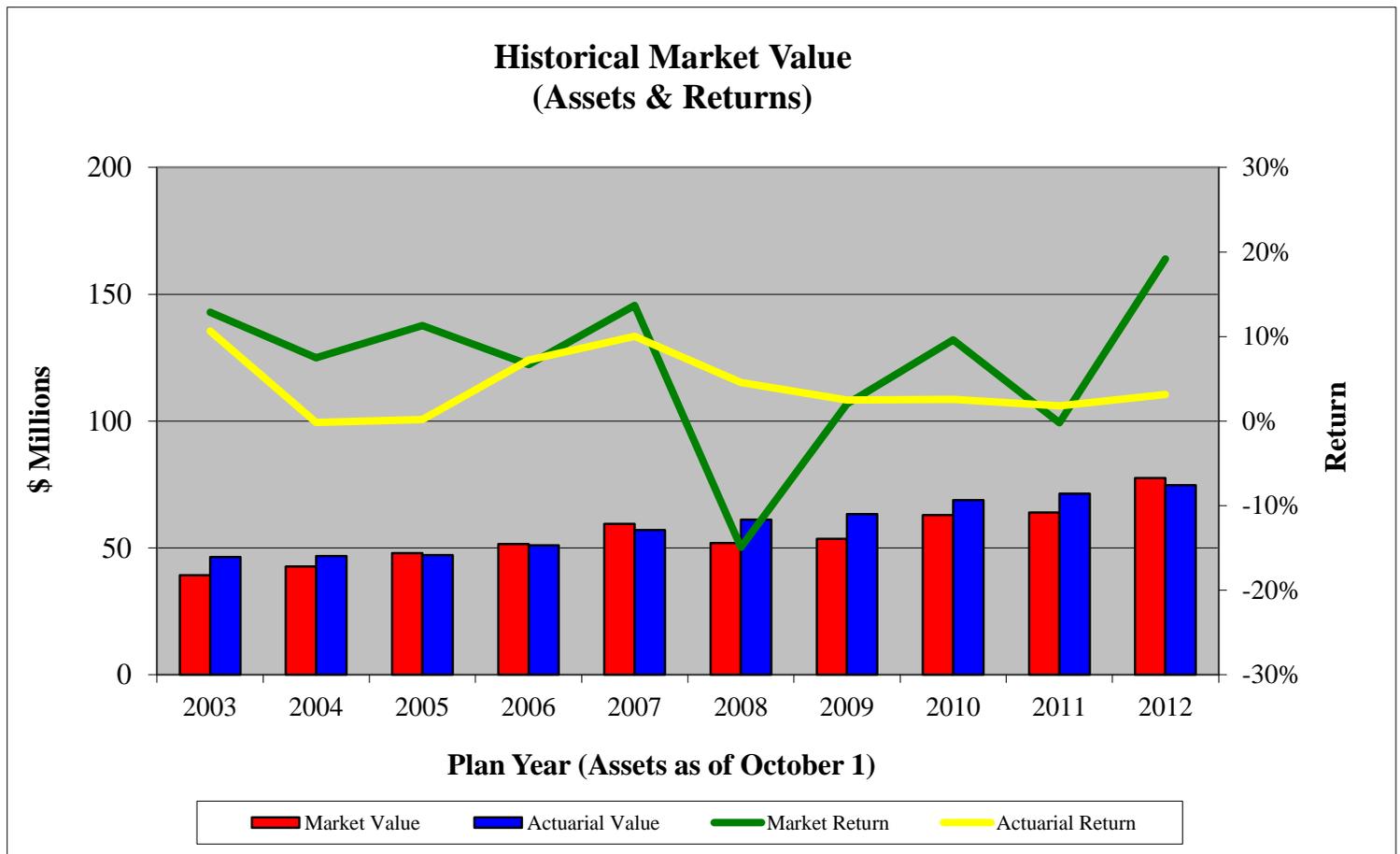
ACTUARIAL VALUE OF ASSETS**TABLE VI d**

	<u>2011</u>	<u>2012</u>
1. Beginning of Year Assets		
a. Market Value	\$ 62,884,072	\$ 63,992,342
b. Actuarial Value	68,869,580	71,366,639
2. Net Cash Flow (Contributions less Benefit Payments and Administrative Expenses)	\$ 1,236,427	\$ 1,177,853
3. Gain (Loss) on Investments		
a. Actual Net Investment Earnings (Investment Earnings less Investment Related Expenses)	\$ (128,157)	\$ 12,348,365
b. Expected Investment Earnings	<u>5,079,231</u>	<u>5,165,595</u>
c. Net gain (loss)	\$ (5,207,388)	\$ 7,182,770
4. Deferral of Gain / (Loss) Recognition in Actuarial Value		
	<u>Total Gain / (Loss)</u>	<u>Amount Deferred</u>
2008	\$ (13,998,198)	\$ (2,799,640)
2009	(3,062,986)	\$ (612,597)
2010	889,086	355,634
2011	(5,207,388)	(3,124,433)
2012	7,182,770	<u>5,746,216</u>
	<u>\$ (7,657,292)</u>	<u>\$ 2,364,820</u>
5. End of Year Assets		
a. Market Value	\$ 63,992,342	\$ 77,518,560
b. Actuarial Value (prior to the application of the 80%/120% corridor and the reduction for state reserve) (5.a. - 4.)	\$ 71,649,634	\$ 75,153,740
6. Adjustments to Actuarial Value of Assets		
a. Preliminary Actuarial Value	\$ 71,649,634	\$ 75,153,740
b. After 80%/120% corridor	71,649,634	75,153,740
c. Premium Tax Revenue Reserve	(282,995)	(360,992)
c. Final Actuarial Value of Assets	<u>\$ 71,366,639</u>	<u>\$ 74,792,748</u>

ACTUARIAL VALUE OF ASSETS**TABLE VI d**
(continued)

	<u>Total</u>	<u>Police Officers</u>	<u>Firefighters</u>
1. Beginning of Year Assets			
a. Actuarial Value of Assets (AVA)	\$ 71,366,639	\$ 67,363,429	\$ 4,003,210
b. State Premium Tax Reserve	282,995	0	282,995
c. AVA Before Reserve	<u>\$ 71,649,634</u>	<u>\$ 67,363,429</u>	<u>\$ 4,286,205</u>
2. Net Cash Flow			
a. Contributions	\$ 7,963,084	\$ 7,492,735	\$ 470,349
b. Benefit Payments/Refunds	(6,586,891)	(5,608,325)	(978,566)
c. Administrative Expenses*	(198,340)	(186,475)	(11,865)
d. Net Cash Flow	<u>\$ 1,177,853</u>	<u>\$ 1,697,935</u>	<u>\$ (520,082)</u>
3. Expected Return on AVA	\$ 5,778,178	\$ 5,455,685	\$ 322,493
4. Expected Actuarial Value of Assets			
a. Beginning of Year AVA	\$ 71,649,634	\$ 67,363,429	\$ 4,286,205
b. Net Cash Flow	1,177,853	1,697,935	(520,082)
c. Expected Return on AVA	5,778,178	5,455,685	322,493
d. Allocation Basis	<u>\$ 78,605,665</u>	<u>\$ 74,517,049</u>	<u>\$ 4,088,616</u>
5. Allocation Percentage		94.80%	5.20%
6. Ending Actuarial Value of Assets			
a. Allocated AVA before Reserve	\$ 75,153,740	\$ 71,245,746	\$ 3,907,994
b. State Premium Tax Reserve	(360,992)	0	(360,992)
c. Allocated AVA	<u>\$ 74,792,748</u>	<u>\$ 71,245,746</u>	<u>\$ 3,547,002</u>

*Administrative expenses allocated based on the beginning of year actuarial value of assets.



Plan Year Ending	Market Value as of October 1	Actuarial Value as of October 1	Benefit Payments*	Administrative Expenses	Investment Advisory Fees	City, State, and Member Contributions	Market Value Return**	Actuarial Value Return**
2002	\$ 35,460,163	\$ 42,552,196						
2003	39,297,064	46,360,433	\$ 3,593,394	\$ 203,020	not available	\$ 3,109,886	12.88%	10.65%
2004	42,741,475	46,762,140	3,926,766	190,568	not available	4,594,653	7.50%	-0.16%
2005	47,915,078	47,170,447	4,026,937	154,249	123,579	4,505,300	11.30%	0.18%
2006	51,526,542	50,986,184	4,607,629	165,628	127,769	5,169,862	6.68%	7.22%
2007	59,522,031	57,039,854	4,503,688	146,133	124,497	5,538,208	13.68%	10.04%
2008	51,978,183	61,127,239	4,656,531	166,781	200,244	6,276,759	-14.93%	4.56%
2009	53,640,052	63,273,036	5,318,712	166,706	232,412	6,092,978	2.02%	2.50%
2010	62,884,072	68,869,580	5,200,967	232,574	296,395	9,343,868	9.59%	2.59%
2011	63,992,342	71,366,639	5,640,779	203,993	342,609	7,081,199	-0.20%	1.81%
2012	77,518,560	74,792,748	6,586,891	198,340	371,935	7,963,084	19.18%	3.13%

* Includes contributions refunded.

**Gross of investment advisory fees in 2012, net of investment advisory fees prior to 2012.

REVENUES BY SOURCE AND EXPENSES BY TYPE

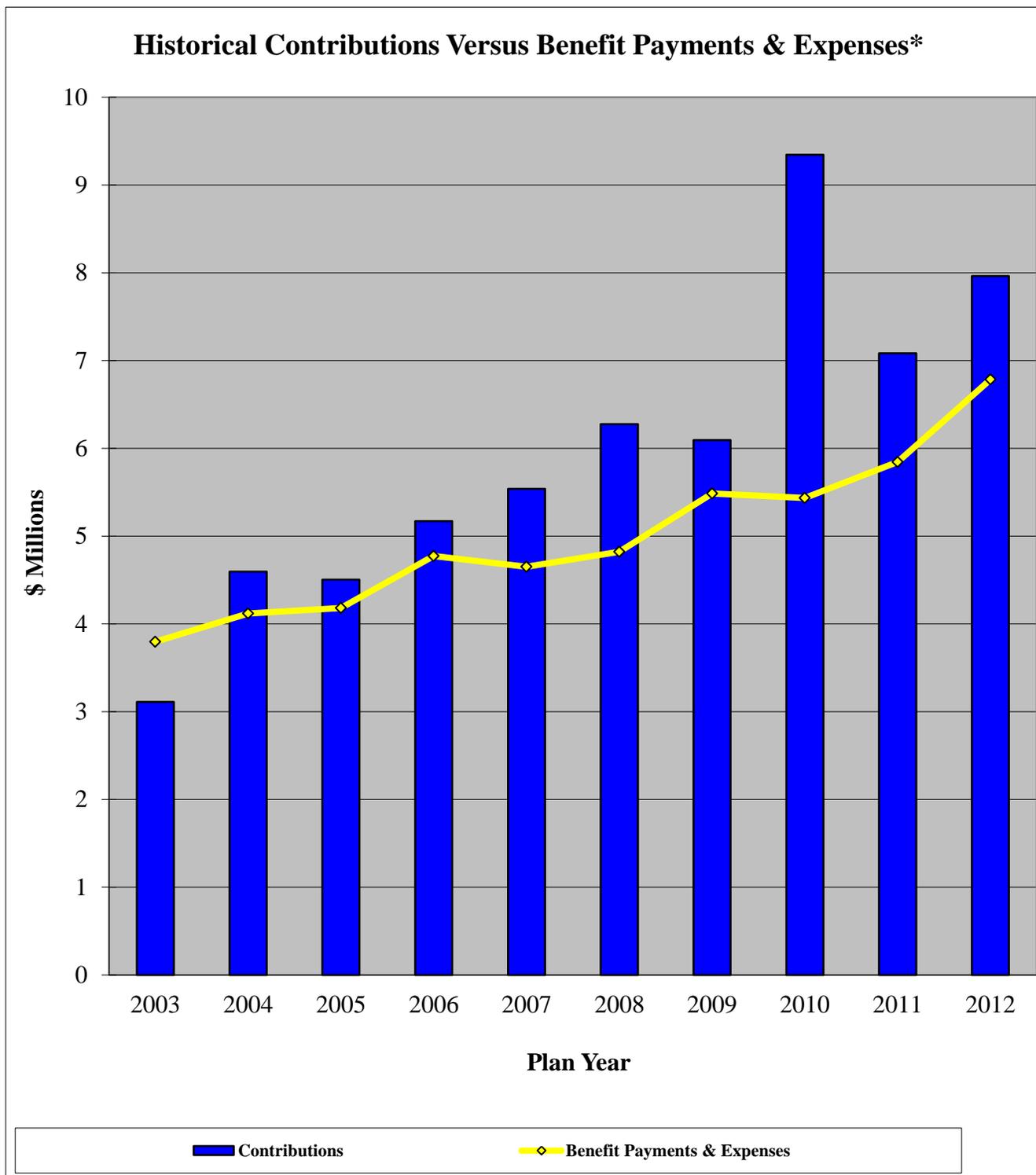
TABLE VIIa

REVENUES

Fiscal Year	City Contrib.	State Contrib.	Member Contrib.	Total Contrib.	Net Invest. Income	Total
2003	\$ 1,900,000	\$ 401,821	\$ 808,065	\$ 3,109,886	\$ (4,265,932)	\$ (1,156,046)
2004	2,740,000	503,782	1,350,871	4,594,653	3,359,582	7,954,235
2005	2,586,679	511,391	1,407,230	4,505,300	3,120,297	7,625,597
2006	3,315,767	515,447	1,338,648	5,169,862	4,776,998	9,946,860
2007	3,656,025	568,850	1,313,333	5,538,208	2,723,077	8,261,285
2008	4,338,288	759,296	1,179,175	6,276,759	6,542,042	12,818,801
2009	4,561,594	536,174	995,210	6,092,978	(8,151,408)	(2,058,430)
2010	7,571,660	547,236	1,224,972	9,343,868	5,135,158	14,479,026
2011	5,382,573	614,928	1,083,698	7,081,199	(144,321)	6,936,878
2012	5,749,099	718,240	1,495,745	7,963,084	12,720,300	20,683,384

EXPENSES

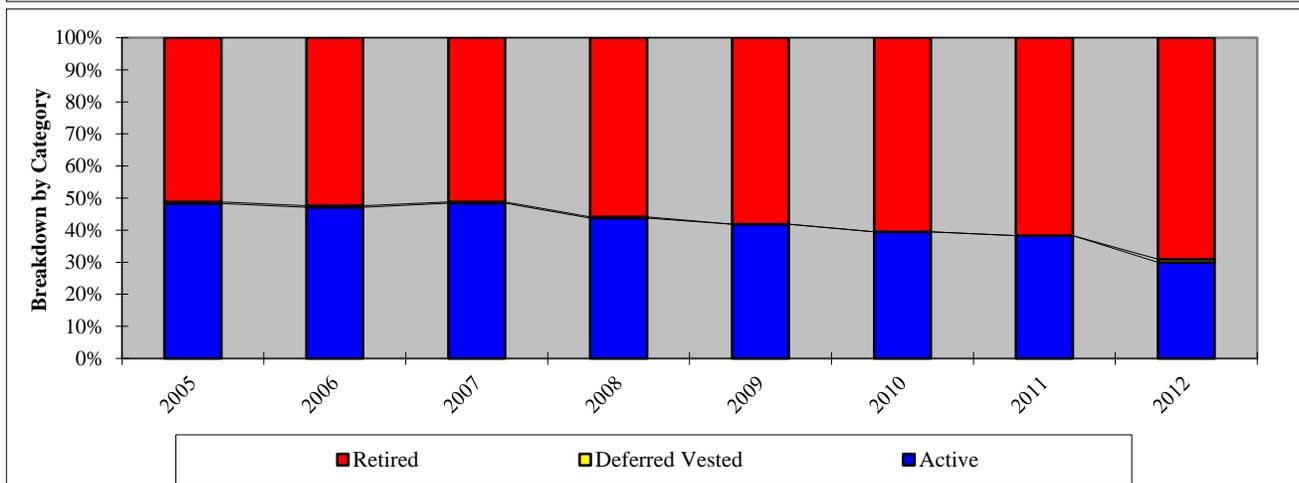
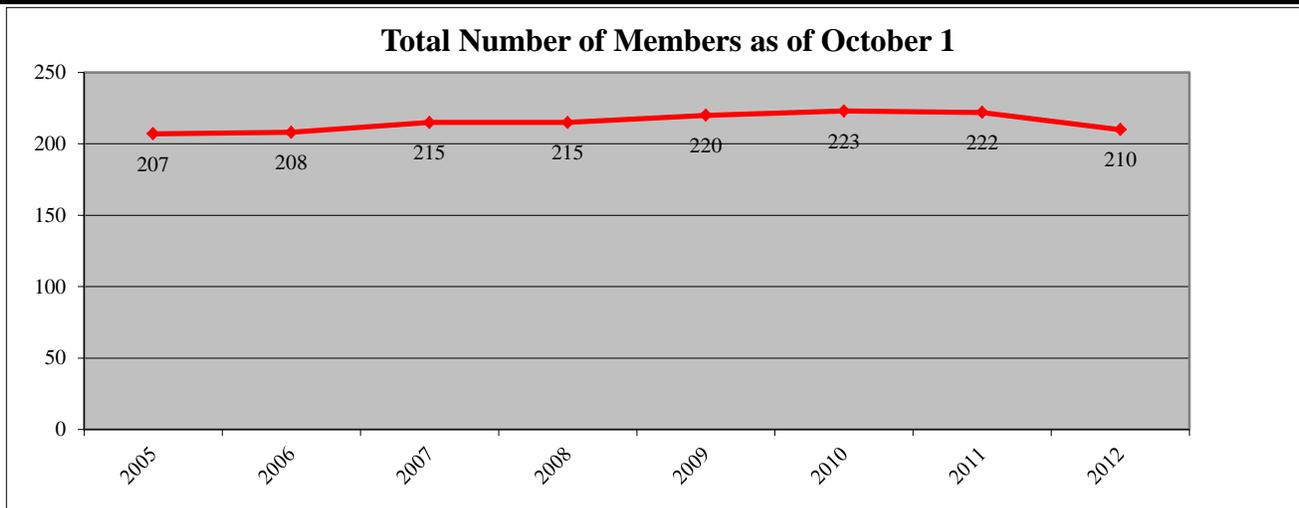
Fiscal Year	Benefits Paid	Member Refunds	Administrative/ Investment Advisory Fees	Total
2003	\$ 3,592,607	\$ 787	\$ 203,020	\$ 3,796,414
2004	3,906,354	20,412	190,568	4,117,334
2005	4,002,078	24,859	277,828	4,304,765
2006	4,462,111	145,518	293,397	4,901,026
2007	4,503,688	0	270,630	4,774,318
2008	4,625,597	30,934	367,025	5,023,556
2009	5,222,084	96,628	399,118	5,717,830
2010	5,195,348	5,619	528,969	5,729,936
2011	5,580,205	60,574	546,602	6,187,381
2012	6,089,490	497,401	570,275	7,157,166



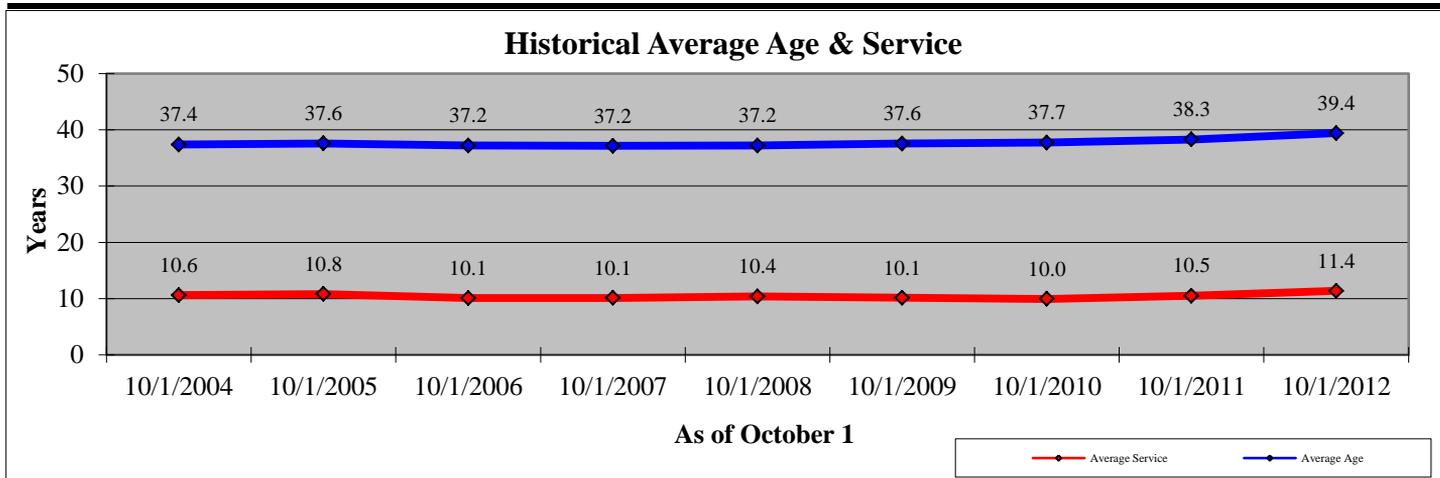
* Please reference Table VIIa on page 29 for the historical benefit payments, expenses, and contributions.

SUMMARY OF MEMBER DATA

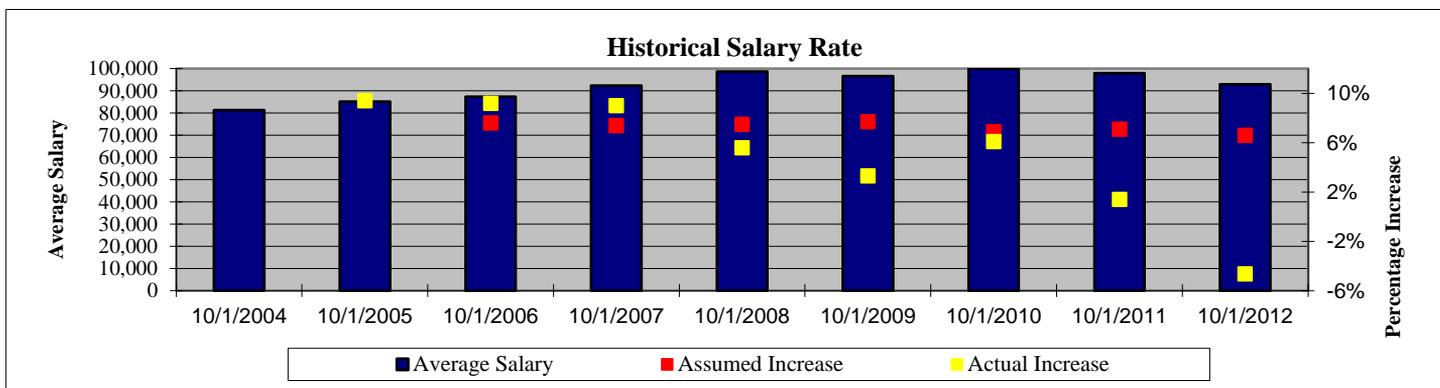
TABLE IX



	<u>October 1, 2011</u>	<u>October 1, 2012</u>
1. Active Members		
a. Police Officers	85	63
b. Firefighters	0	0
c. Sub-total	<u>85</u>	<u>63</u>
2. Inactive Members not in Receipt	0	2
3. Inactive Members in Receipt		
a. Retirees (including DROP)	121	129
b. Disabled	9	9
c. Beneficiaries	7	7
d. Sub-total	<u>137</u>	<u>145</u>
4. Total Members	222	210

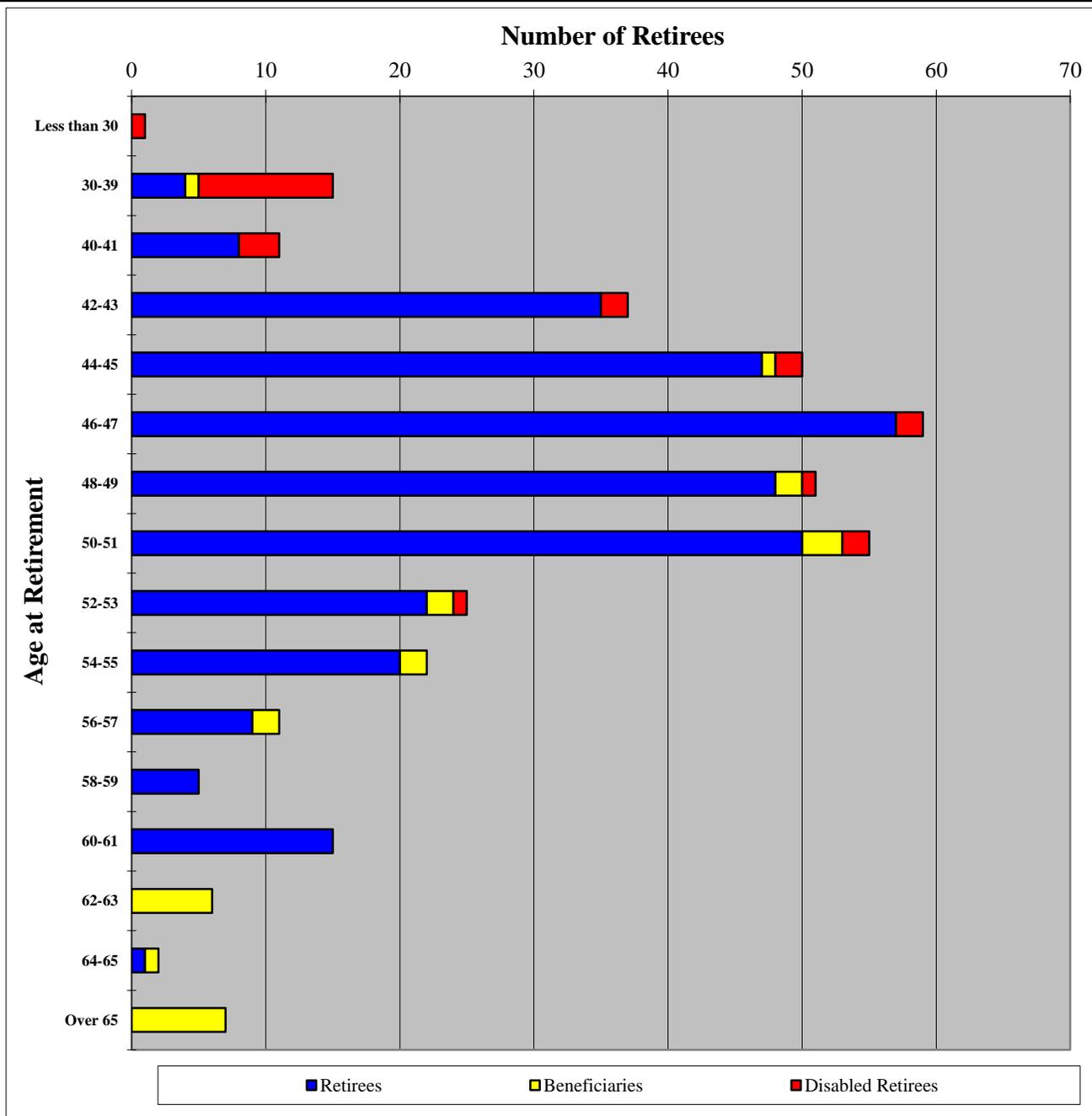


<u>Date</u>	<u>Average Service</u>	<u>Average Age</u>	<u>Date</u>	<u>Average Service</u>	<u>Average Age</u>
10/01/2004	10.6	37.4	10/01/2009	10.1	37.6
10/01/2005	10.8	37.6	10/01/2010	10.0	37.7
10/01/2006	10.1	37.2	10/01/2011	10.5	38.3
10/01/2007	10.1	37.2	10/01/2012	11.4	39.4
10/01/2008	10.4	37.2			



<u>Date</u>	<u>Payroll for Fiscal Year</u>	<u>Average Salary</u>	<u>Assumed Salary Increase</u>	<u>Actual Salary Increase</u>
10/01/2004	8,137,000	81,368		
10/01/2005	8,115,000	85,203		9.40%
10/01/2006	8,571,000	87,460	7.60%	9.20%
10/01/2007	9,608,616	92,391	7.40%	9.00%
10/01/2008	9,286,431	98,792	7.50%	5.60%
10/01/2009	8,915,551	96,608	7.70%	3.30%
10/01/2010	8,798,930	99,988	6.90%	6.10%
10/01/2011	8,329,848	97,998	7.10%	1.40%
10/01/2012	5,855,524	92,945	6.60%	-4.65%

¹ As of October 1, 2012, the 10-year average of historical payroll growth equals 2.06%.



	<u>Police</u>		<u>Fire</u>		<u>Total</u>	
	<u>Avg. Age</u>	<u>Average Monthly Benefit</u>	<u>Avg. Age</u>	<u>Average Monthly Benefit</u>	<u>Avg. Age</u>	<u>Average Monthly Benefit</u>
Non-Disabled Retirees	62.3	\$4,641.90	76.6	\$3,787.17	64.6	\$4,517.25
Disabled Retirees	62.5	1,421.26			62.5	1,421.26
Beneficiaries	54.1	1,315.55			54.1	1,315.55
All Retired Members	61.7	4,108.53	76.6	3,787.17	63.8	4,068.36

	<u>Active</u>	<u>Non-active, Non-retired</u>	<u>DROP</u>	<u>Retired</u>	<u>Total</u>
1. Number of members as of October 1, 2011	85	0	27	110	222
2. Change in status during the plan year:					
a. Actives who became inactive	(10)	2	8	0	
b. Actives who retired	(2)			2	
c. Inactives who became active					
d. Inactives who retired			(2)	2	
e. Retirees who became active					
3. No longer members due to:					
a. Death				(2)	(2)
b. Permanent break-in-service					
c. Receipt of lump sum payment	(10)				(10)
d. Expiration of certain period					
e. Included in error last year					
4. New member due to:					
a. Initial membership					
b. Death of another member					
c. Excluded in error last year					
d. Reinstatement					
5. Number of members as of October 1, 2012	63	2	33	112	210

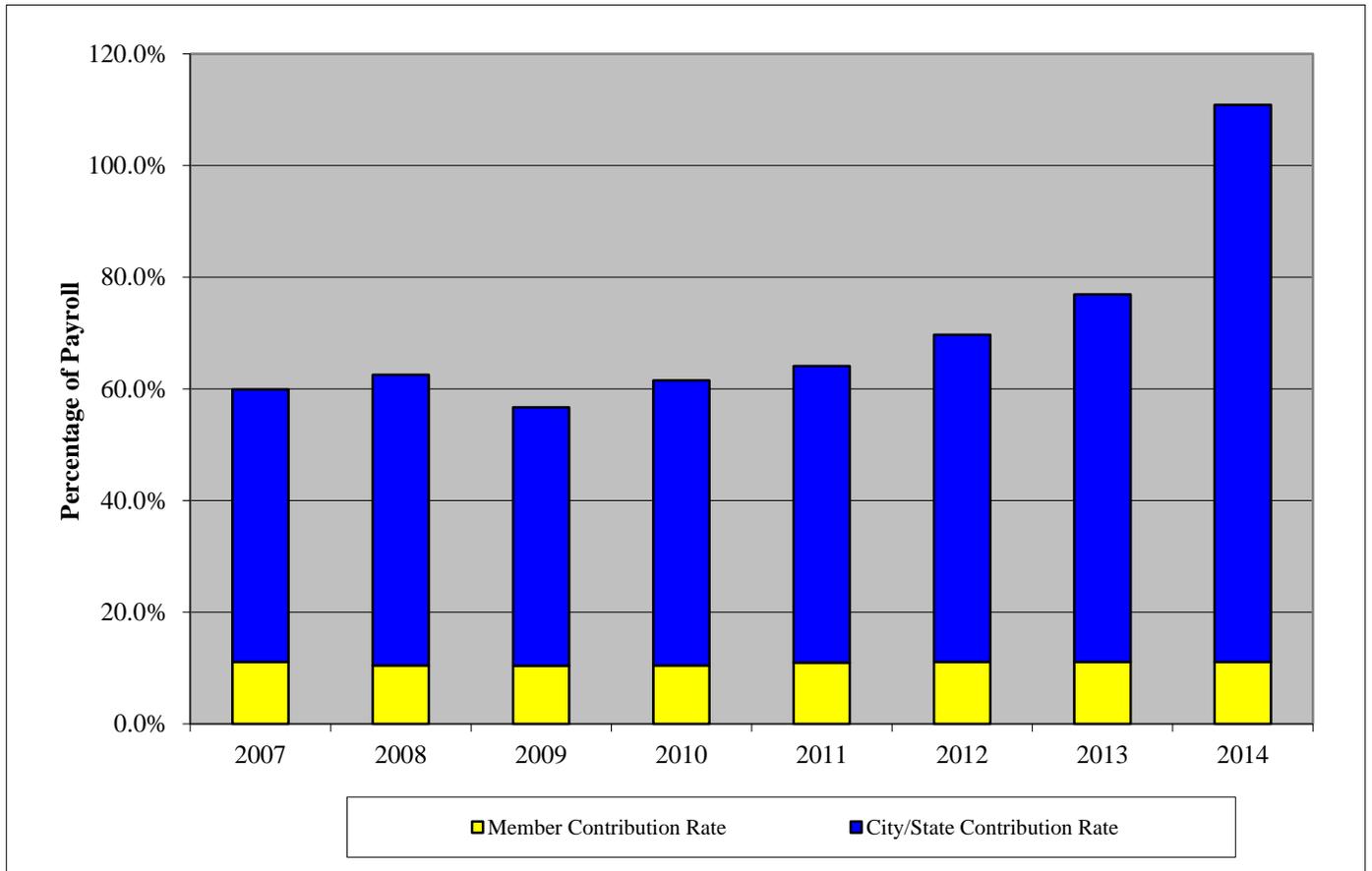
AGE-SERVICE-SALARY TABLE

TABLE IXd

(All Active Members)

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 Avg. Pay											
25 to 29 Avg. Pay			4 73,858								4 73,858
30 to 34 Avg. Pay		1 34,854	8 91,422								9 85,137
35 to 39 Avg. Pay			5 82,217	9 98,122	6 106,247						20 96,583
40 to 44 Avg. Pay		1 39,788	2 83,222	9 85,183	9 96,523						21 87,695
45 to 49 Avg. Pay		1 32,270	2 68,247	1 86,360	2 109,201						6 78,921
50 to 54 Avg. Pay			1 77,069		2 85,174						3 82,472
55 to 59 Avg. Pay											
60 to 64 Avg. Pay											
65 to 69 Avg. Pay											
70 & up Avg. Pay											
Total Avg. Pay		3 35,637	22 82,632	19 91,374	19 99,734						63 88,188

The average pay shown is the average of the annual rate of pay including any overtime pay.



<u>Fiscal Year Ending</u>	<u>Member Contribution Percentage</u>	<u>Expected City / State Contribution Percentage</u>	<u>Fiscal Year</u>	<u>Member Contribution Percentage</u>	<u>Expected City / State Contribution Percentage</u>
2007	11.10%	48.80%	2012	11.10%	58.60%
2008	10.50%	52.00%	2013	11.10%	65.80%
2009	10.40%	46.30%	2014	11.10%	99.75%
2010	10.50%	51.00%			
2011	11.00%	53.10%			

ACTUARIAL ASSUMPTIONS AND METHODS

TABLE XI

Funding Method:	The Entry Age Normal Cost method has been used to develop the funding requirements for the plan. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liabilities and any actuarial gains or losses over a period of 30 years for police and the average of expected future lifetime for firefighters. Amortization payments increase 3.0% annually. The normal cost includes estimated investment and administrative related expenses.												
Actuarial Asset Method:	The asset smoothing method spreads investment gains or losses in excess of the assumed return on the market value of assets over a 5-year period. The Actuarial Value of assets cannot be less than 80%, or greater than 120% of market value. The Actuarial Value of Assets are adjusted to exclude excess State premium tax monies reserved for future benefit improvements.												
Valuation Rate/ Investment Return Rate:	8.0% compounded annually.												
Administrative/ Investment Expenses:	The normal cost includes estimated administrative expenses equal to the 3-year average of prior administrative expenses plus estimated investment expenses equal to 0.50% of the market value of assets as of the valuation date.												
COLA Increases:	Benefits are assumed to increase by 2.5% of the current benefit each year for retired police members eligible for annual COLAs commencing 3 years after retirement or exit from the DROP. Retired firefighter benefits are not eligible for COLAs and are not increased in future years.												
Salary Increases:	Annual salary increase rates by years of service are shown below: <table><thead><tr><th><u>Years of Service</u></th><th><u>Rates of Increase</u></th></tr></thead><tbody><tr><td>0 – 4</td><td>12.00%</td></tr><tr><td>5 – 9</td><td>6.00%</td></tr><tr><td>10 – 12</td><td>5.50%</td></tr><tr><td>13 – 19</td><td>4.00%</td></tr><tr><td>20+</td><td>3.00%</td></tr></tbody></table>	<u>Years of Service</u>	<u>Rates of Increase</u>	0 – 4	12.00%	5 – 9	6.00%	10 – 12	5.50%	13 – 19	4.00%	20+	3.00%
<u>Years of Service</u>	<u>Rates of Increase</u>												
0 – 4	12.00%												
5 – 9	6.00%												
10 – 12	5.50%												
13 – 19	4.00%												
20+	3.00%												

ACTUARIAL ASSUMPTIONS AND METHODS

TABLE XI

(continued)

Payroll Growth: Salary increases for total payroll are 3.0% per year (3.66% for the 10/1/2011 valuation).

Inflation: 3.0% compounded annually.

Mortality: *Healthy:* Fully Generational RP-2000 Combined Healthy for Males and Females with Blue Collar adjustment.

Disabled: RP-2000 for disabled retirees blended 15% female and 85% male.

In-Service Deaths: 100% of active member deaths are assumed to occur in the line of duty.

Termination of Employment: Annual termination rates by years of service are shown below:

<u>Years of Service</u>	<u>Rates of Termination</u>
0 – 1	12.00%
1 – 5	6.00%
5+	0.50%

Retirement Rates: Retirement rates are based on age and service as follows:

<u>Age</u>	<u>Years of Service</u>		
	<u>20</u>	<u>21 - 24</u>	<u>25</u>
40	75%	75%	100%
41-51	75%	50%	100%
52	100%	100%	100%

80% of retirements are assumed to enter the DROP. Those entering the DROP are assumed to remain in the DROP for five years.

Current members of the DROP are assumed to remain in the DROP for the maximum allowable time (8 years).

ACTUARIAL ASSUMPTIONS AND METHODS**TABLE XI****(continued)**

Disability Rates: Triple the rates in the 1985 class (1) disability study rates.
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		

In-Service Disabilities: 100% of active member disablements are assumed to occur in the line of duty.

Marital Status: 100% of active members are assumed to be married with males 3 years older than females.

Changes Since Prior Valuation:

The assumed future payroll growth was reduced to 3.0% per year (3.66% last year) based on the long term expectations of the City and expected active member changes due to the high utilization of the DROP. The weighted average payroll growth over the last ten years has been 2.06%.

The mortality table for healthy lives was changed from the RP-2000 Combined Healthy Mortality Table Blended 85% male and 15% female with no adjustment for future mortality improvements to the Fully Generational RP-2000 Combined Healthy Mortality Table for Males and Females with Blue Collar Adjustment.

80% of eligible active members retirements are assumed to join the DROP (versus 50% last year).

Eligibility Requirements: Full-time employment with the City as a sworn police officer or former firefighter. Police officers 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). Firefighters who made a written election to remain in the Plan (rather than transfer to the State plan) are also participants.

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 means, as per the State Statute, the total cash remuneration paid to a police officer for services rendered.

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.

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

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

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

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

EARLY RETIREMENT

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

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

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

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

DEFERRED RETIREMENT OPTION PROVISIONS (DROP)

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

DISABILITY RETIREMENT – IN LINE OF DUTY

Normal Form of Benefit:	Life Annuity
Disability Retirement Date:	Total and permanent disability
Disability Retirement:	The greater of 60% of FMC, or the participants accrued benefit at date of disability.
COLA:	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.

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.

IN SERVICE DEATH BENEFIT- IN LINE OF DUTY ON OR BEFORE NORMAL RETIRMENT DATE

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

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 monthly retirement income determined in accordance with the provisions for not in line of duty deaths

(B) 60% of the Participant’s FMC at the date of death

COLA: COLA increase is 2.50% per year and is payable annually (on October 1st) to any beneficiary who has been receiving payment for at least 3 years

IN SERVICE DEATH BENEFIT- NOT IN LINE OF DUTY ON OR BEFORE NORMAL RETIRMENT DATE

Normal Form of Benefit:	Life Annuity for at least a 10 year period.
Death Benefit:	The monthly retirement income payable to the designated beneficiary upon the death of a participant is the actuarial equivalent of the greater of (A) and (B) below: (C) The single-sum value of the accrued deferred benefit commencing on Normal Retirement Date, accrued to date of death. (D) 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.

IN SERVICE DEATH BENEFIT - AFTER NORMAL RETIRMENT DATE

Normal Form of Benefit:	Life Annuity for at least a 10 year period.
Death Benefit:	The monthly normal retirement benefit that is the actuarial equivalent of the accrued benefit as of the date of death.
COLA:	COLA increase is 2.50% per year and is payable annually (on October 1 st) to any beneficiary who has been receiving payment for at least 3 years

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.

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

Form of Benefit:	Lump Sum paid immediately or Life Annuity for at least a 10 year period, payable at age 52.
Withdrawal Date:	At least 10 years of credited service, but less than 20 years of credited service.
Termination Benefits:	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

Employee Contributions:	Participants contribute to the plan: 11.1% of Compensation (pre-tax) for police officers. <ul style="list-style-type: none">• Ordinance 2005-6 stated in the event that the additional tax revenues provided under Section 185 of 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.• Interest credited at 3% per year.
-------------------------	---

PLAN AMENDMENTS

TABLE XIIa

Changes Since Prior Valuation

None