

***Retirement Plan for the
General Management Employees
Of the City of North Miami Beach***

Actuarial Valuation Report
as of
October 1, 2007



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March 3, 2008

Trustees of the Retirement Plan for the General Management Employees of the City of North Miami Beach
c/o Mr. Paul Shamoun
Retirement Programs Manager
Florida League of Cities, Inc.
P. O. Box 1757
Tallahassee, FL 32302

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of the Retirement Plan for the General Management Employees of the City of North Miami Beach as of October 1, 2007. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2007 and to determine the minimum required contribution for the 2008/09 plan year under Chapter 112 of the Florida Statutes. In addition, this report provides a record of any plan amendments or other plan changes affecting the financial status of the fund.

Summary of Valuation Results

Currently, the plan receives contributions from the City of North Miami Beach and from active members. The amount of the employer contribution varies from year to year, while the employee contributions are equal to 8.00% of payroll. After taking into account expected employee contributions, the minimum required contribution from the City of North Miami Beach is \$615,071 for the 2008/09 plan year, or 24.36% of payroll. This amount is more than the required \$546,410 contribution for the 2007/08 plan year.

The contributions received by the plan are used to pay for the normal cost and expenses of the plan. Currently, the plan has \$19,173,775 in total future benefit liability, \$6,008,867 in unfunded frozen liability, and \$10,474,548 in assets at actuarial value. After deducting the unfunded frozen liability and assets from the total future benefit liability and taking into account expected future employee contributions of \$1,277,594, the present value of future normal costs is \$1,412,766 as of October 1, 2007. This amount is divided by the total expected future payroll of \$15,969,921 in order to determine the level percentage of payroll which must be contributed in order to cover the plan's future normal costs. This level percentage, known as the normal cost accrual rate, is 8.8464% for the 2008/09 plan year (up from 6.1194% for the 2007/08 plan year) and, when multiplied by the expected payroll of \$2,427,737, produces a normal cost of \$214,767. When the normal cost of \$214,767 is added to the amortization payment of \$364,395, expected

administrative expenses of \$15,000, and an adjustment for interest and delayed payment of \$20,909, the total required contribution is \$615,071 for the 2008/09 plan year.

The following table shows the amount of the 2008/09 City contribution based on several alternative contribution scenarios:

Contribution Alternative	City Contribution	% of Payroll
Beginning-of-year contribution	\$ 591,560	23.43%
Weekly contributions (<i>end-of-period</i>)	615,071	24.36%
Semi-monthly contributions (<i>end-of-period</i>)	615,602	24.38%
Monthly contributions (<i>end-of-period</i>)	616,591	24.42%
Quarterly contributions (<i>end-of-period</i>)	620,566	24.58%
End-of-year contribution	638,885	25.30%

In preparing the actuarial valuation as of October 1, 2007, we have used the same assumptions as were used in completing the valuation as of October 1, 2006. A complete record of the assumptions and plan provisions used to value the plan is presented in Tables X and XI, respectively.

Contents of the Report

A summary of the results of the valuation is presented in Table I. The disclosure information required by Chapter 112, Florida Statutes, is presented in Table II. Information for the auditors can be found in Tables III and IV. Tables V through VII provide information about the fund's assets. In particular, Table V provides a breakdown of the fund assets by investment type, Table Va provides an asset reconciliation between October 1, 2006 and October 1, 2007, and Tables VI, VIa, and VII provide a historical record of the growth, expenditures, and annual yields of the fund. Tables VIII through IX provide a variety of useful information concerning the participant population, including in Table IX a historical record of the employee and employer contribution percentages.

Certification

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate and, in my opinion, the techniques and



assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Respectfully submitted,



Charles T. Carr
Consulting Actuary
Enrolled Actuary No. 05-04927



SUMMARY OF VALUATION RESULTS

TABLE I

	As of October 1, 2006	As of October 1, 2007
1. Number of Members		
a. Active Members	30	33
b. Deferred Vested Members	2	2
c. Retired Members:		
i. Non-disabled	4	5
ii. Disabled	0	0
iii. DROP members	0	0
iv. Beneficiaries	0	0
v. Sub-total	<u>4</u>	<u>5</u>
d. Total Members	<u>36</u>	<u>40</u>
2. Total Annual Compensation	\$2,289,947	\$2,427,737
3. Derivation of Normal Cost		
a. Present Value of Future Benefits	\$16,691,022	\$19,173,775
b. Adjusted Actuarial Value of Assets	(\$8,761,789)	(\$10,474,548)
c. Unfunded Frozen Liability	(\$5,914,146)	(\$6,008,867)
d. PV of Future Employee Contributions	<u>(\$1,141,742)</u>	<u>(\$1,277,594)</u>
e. PV of Future Normal Costs	\$873,345	\$1,412,766
f. Present Value of Future Payroll	\$14,271,778	\$15,969,921
g. Normal Cost Accrual Rate	6.1194%	8.8464%
h. Normal Cost (item 3.g. × item 2.)	\$140,131	\$214,767
4. Total Required Minimum Contribution		
a. Normal Cost	\$140,131	\$214,767
b. Amortization of Unfunded Liability	\$350,380	\$364,395
c. Expected Expenses	\$15,000	\$15,000
d. Interest	<u>\$20,091</u> *	<u>\$15,823</u> *
e. Minimum Required Contribution	\$525,602	\$609,985
As a percentage of payroll	22.95%	25.13%

	For the 2007/08 Plan Year	For the 2008/09 Plan Year
5. Minimum Employer Contribution		
a. Minimum Required Contribution	\$525,602	\$609,985
b. Adjustment for One-Year Deferral	<u>\$20,808</u>	<u>\$5,086</u>
c. Minimum Employer Contribution	\$546,410	\$615,071
d. Advance Employer Contribution	<u>(\$196,038)</u>	
e. Remaining Employer Contribution	\$350,372	

* assumes weekly contributions

UNFUNDED LIABILITY BASES

TABLE Ia

<u>Description</u>	<u>Original Amount</u>	<u>Outstanding Balance as of October 1, 2006</u>	<u>2006/07 Amortization Payment</u>	<u>Outstanding Balance as of October 1, 2007</u>	<u>2007/08 Amortization Payment</u>	<u>Years Remaining ***</u>
Initial Unfunded Liability	\$5,509,177	\$5,914,146	\$350,380	\$6,008,867	\$364,395	25 years
Total		\$5,914,146	\$350,380	\$6,008,867	\$364,395	

*** Years remaining as of October 1, 2007

<u>Date</u>	<u>Projected Unfunded Liability</u>
October 1, 2007	\$6,008,867
October 1, 2008	\$6,096,030
October 1, 2009	\$6,174,424
October 1, 2010	\$6,242,718
October 1, 2032	\$0

	Actuarial valuation prepared as of:	
	<u>October 1, 2006</u>	<u>October 1, 2007</u>
1. Member Data		
a. Active members:		
i. Number	30	33
ii. Total annual payroll	\$2,289,947	\$2,427,737
b. Retired members and beneficiaries (other than disabled):		
i. Number	4	5
ii. Total annualized benefit	\$166,191	\$230,791
c. Disabled members receiving benefits:		
i. Number	0	0
ii. Total annualized benefit	\$0	\$0
d. Terminated vested members:		
i. Number	2	2
ii. Total annualized benefit	\$0	\$0
2. Assets		
a. Actuarial value of assets	\$8,761,789	\$10,474,548
b. Market value of assets	\$8,761,789	\$10,474,548
3. Liabilities		
a. Present value of all future expected benefit payments:		
i. Active members:		
Retirement benefits	\$14,037,728	\$15,777,456
Vesting benefits	\$17,961	\$17,585
Disability benefits	\$121,933	\$129,589
Death benefits	\$193,778	\$200,351
Return of contributions	\$28,036	\$38,600
Sub-total	\$14,399,436	\$16,163,581
ii. Terminated vested members	\$7,123	\$7,336
iii. Retired members and beneficiaries:		
Retired (other than disabled) and beneficiaries	\$2,284,463	\$3,002,858
Disabled members	\$0	\$0
Sub-total	\$2,284,463	\$3,002,858
iv. Total present value of all future expected ben. pmts.	\$16,691,022	\$19,173,775

	<u>Actuarial valuation prepared as of:</u>	
	<u>October 1, 2006</u>	<u>October 1, 2007</u>
b. Liabilities due and unpaid	\$0	\$0
c. Actuarial accrued liability	\$14,675,935	\$16,483,415
d. Unfunded actuarial accrued liability	\$5,914,146	\$6,008,867
4. Actuarial Present Value of Accrued Benefits	\$10,090,351	\$12,441,756
(please reference Table IV for details concerning the present value of accrued benefits)		
5. Pension Cost (beginning of year)		
a. Normal cost:		
i. Due to benefits and return of contributions	\$140,131	\$214,767
ii. Due to administrative expenses	\$15,000	\$15,000
iii. Total normal cost	\$155,131	\$229,767
b. Payment to amortize unfunded liability	\$350,380	\$364,395
c. Employer contribution (beginning of year)	\$505,511	\$594,162
As a percentage of payroll:	22.08%	24.47%
d. Amount to be contributed by employees (beginning of yr.)	\$183,196	\$194,219
As a percentage of payroll:	8.00%	8.00%
		<u>Fiscal Year</u>
	<u>2005/06</u>	<u>2006/07</u>
6. Past Contributions		
a. Required employer contribution	\$661,587	\$532,254
b. Actual contribution made by:		
i. Employer	\$661,587	\$532,254
ii. Employees	\$423,396	\$306,673

	<u>Actuarial valuation prepared as of:</u>	
	<u>October 1, 2006</u>	<u>October 1, 2007</u>
7. Other disclosures		
a. Present value of active members':		
i. Future salaries:		
at attained age	\$14,271,778	\$15,969,921
at entry age	<i>Not calculated</i>	<i>Not calculated</i>
ii. Future contributions:		
at attained age	\$1,141,742	\$1,277,594
at entry age	<i>Not calculated</i>	<i>Not calculated</i>
b. Present value of future contributions from the employer	\$6,787,491	\$7,421,633
c. Present value of future expected benefit payments for active members at entry age	<i>Not calculated</i>	<i>Not calculated</i>
d. Amount of active members' accumulated contributions	\$4,439,652	\$4,527,000

	<u>For the 2006/07 Plan Year</u>	<u>For the 2007/08 Plan Year</u>
A. Number of Plan Members as of the Beginning of the Plan Year		
a. Retirees and beneficiaries receiving benefits	4	5
b. Terminated plan members entitled to but not yet receiving benefits	2	2
c. Active plan members	30	33
d. Total	<u>36</u>	<u>40</u>
B. Development of Annual Required Contribution (ARC)		
a. Employer normal cost:		
i. Total normal cost (EOY)	\$365,192	\$445,799
ii. Expected employee contribution	(\$197,651)	(\$197,651)
iii. Employer normal cost	<u>\$167,541</u>	<u>\$248,148</u>
b. 30-year amortization of UAAL:		
i. PV of future benefits	\$16,691,022	\$19,173,775
ii. PV of future employer normal costs	(\$873,345)	(\$1,412,766)
iii. PV of future employee contributions	(\$1,141,742)	(\$1,277,594)
iv. Actuarial accrued liability (AAL)	\$14,675,935	\$16,483,415
v. Actuarial value of assets	(\$8,761,789)	(\$9,972,221) *
vi. Unfunded AAL (UAAL)	\$5,914,146	\$6,511,194
vii. 30-year amort. of UAAL	<u>\$281,182</u>	<u>\$355,854</u>
c. 30-year amortization of NPO	<u>(\$18,225)</u>	<u>(\$28,509)</u>
d. ARC	<u><u>\$430,498</u></u>	<u><u>\$575,493</u></u>
(Item B.a.iii. plus item B.b.vii. plus item B.c.)		
		<i>* adjusted to reflect the NPO</i>
C. Annual Pension Cost and Net Pension Obligation (NPO)		
a. ARC	\$430,498	\$575,493
b. Interest on NPO	(\$29,531)	(\$40,186)
c. Adjustment to ARC	\$18,225	\$28,509
d. Annual Pension Cost	<u>\$419,192</u>	<u>\$563,816</u>
e. Contributions made (w/interest to EOY)	(\$552,385)	
f. Increase(decrease) in NPO	(\$133,193)	
g. NPO (beginning of year)	(\$369,134)	
h. NPO (end of year)	<u><u>(\$502,327)</u></u>	

D. Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2004	\$519,217	100%	\$519,217	100%
2005	\$549,769	116%	\$549,769	116%
2006	\$410,115	168%	\$407,231	169%
2007	\$430,498	128%	\$419,192	132%

E. 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)
10/1/2003	\$4,541,545	\$10,136,662	\$5,595,117	44.8%	\$2,478,503	225.7%
10/1/2004	\$5,741,331	\$11,447,652	\$5,706,321	50.2%	\$2,775,003	205.6%
10/1/2005	\$7,214,997	\$13,027,962	\$5,812,965	55.4%	\$2,412,271	241.0%
10/1/2006	\$8,761,789	\$14,675,935	\$5,914,146	59.7%	\$2,289,947	258.3%
10/1/2007	\$10,474,548	\$16,483,415	\$6,008,867	63.5%	\$2,427,737	247.5%

F. Additional Information

Valuation date	October 1, 2006	October 1, 2007
Actuarial cost method	Frozen entry age	Frozen entry age
Amortization method	Level percent open	Level percent open
Remaining amortization period	40 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return *	8.00%	8.00%
Projected salary increases *	Either 4.00% or 4.50%	Either 4.00% or 4.50%
* Includes inflation at:	3.75%	3.75%
Cost-of-living adjustments	2.25%	2.25%

1. Actuarial Present Value of Accrued Benefits

	<u>As of October 1, 2006</u>	<u>As of October 1, 2007</u>
a. Vested Accrued Benefits:		
i. Inactive members and beneficiaries	\$2,291,586	\$3,010,194
ii. Active members*	\$7,602,106	\$9,198,130
iii. Sub-total	<u>\$9,893,692</u>	<u>\$12,208,324</u>
b. Non-vested Accrued Benefits	<u>\$196,659</u>	<u>\$233,432</u>
c. Total Benefits	<u>\$10,090,351</u>	<u>\$12,441,756</u>

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

a. Actuarial Present Value as of October 1, 2006	\$10,090,351
b. Increase (Decrease) During 2006/07 Plan Year Attributable to:	
i. Interest	\$807,228
ii. Benefits accumulated	\$1,747,410
iii. Benefits paid	(\$203,233)
iv. Plan amendments	\$0
v. Changes in actuarial assumptions or methods	<u>\$0</u>
vi. Net increase (decrease)	<u>\$2,351,405</u>
c. Actuarial Present Value as of October 1, 2007	<u><u>\$12,441,756</u></u>

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

- a. Plan provisions reflected in the accrued benefits (see Table XI on page 25)
- b. Plan amendments reflected in item 2.b.iv. above (see Table XIa on page 29)
- c. Actuarial assumptions and methods used to determine present values (see Table X on page 22)
- d. Changes in actuarial assumptions and methods reflected in item 2.b.v. above (see Table Xa on page 24)

* The actuarial present value of vested benefits for active members includes nonforfeitable accumulated employee contributions in the amount of \$4,439,652 as of October 1, 2006 and \$4,527,000 as of October 1, 2007.

	<u>As of October 1, 2006</u>	<u>As of October 1, 2007</u>
1. Market Value of Assets*		
a. Cash and cash equivalents (4%)	\$152,726	\$441,317
b. U.S. gov't. & other debt securities (39%)	\$3,425,836	\$4,104,593
c. Equities (58%)	\$5,170,919	\$6,086,826
d. Insurance contracts (0%)	\$0	\$0
e. Real estate (0%)	\$0	\$0
f. Mortgages/loans (0%)	\$0	\$0
g. Other assets (0%)	\$0	\$0
h. Accrued income receivable (0%)	\$0	\$0
i. Contributions receivable (0%)	\$30,868	\$37,850
j. Other receivables (0%)	\$0	\$0
k. Benefits payable (0%)	\$0	\$0
l. Other payables (-2%) **	(\$18,560)	(\$196,038)
m. Market value of assets	\$8,761,789	\$10,474,548
2. Actuarial Value of Assets	\$8,761,789	\$10,474,548

* The percentages in parentheses indicate the proportion of assets committed to each type of investment as of October 1, 2007.

** Reflects \$18,560 in advance employer contributions as of October 1, 2006 and reflects \$196,038 in advance employer contributions as of October 1, 2007.

<i>Development of advance City contribution:</i>		
	<u>As of October 1, 2006</u>	<u>As of October 1, 2007</u>
1. Prior year minimum City contrib.	\$661,587	\$532,254
2. Advance City contrib. for prior year	(\$50,636)	(\$18,560)
3. Actual City contrib. for prior year	(\$629,511)	(\$709,732)
4. Advance City contribution	(\$18,560)	(\$196,038)

ASSET RECONCILIATION**TABLE Va**

1. Market Value of Assets as of October 1, 2006	\$8,761,789
2. Increases Due to:	
a. Contributions:	
i. Employer	\$709,732
ii. Employees	\$306,673
iii. Total contributions	<u>\$1,016,405</u>
b. Investment income (interest and dividends)	\$1,092,288
c. Realized and unrealized gains/(losses)	<i>included in 2.b. above</i>
d. Total increases	<u>\$2,108,693</u>
3. Decreases Due to:	
a. Benefit payments	(\$203,233)
b. Refund of member contributions	\$0
c. Investment expenses	<i>included in 2.b. above</i>
d. Administrative expenses	(\$15,223)
e. Advance City contribution	(\$177,478)
f. Total decreases	<u>(\$395,934)</u>
4. Market Value of Assets as of October 1, 2007	\$10,474,548



Plan Year	Market Value as of First Day of PY*	Actuarial Value as of First Day of PY*	Benefit Payments**	Administrative Expenses	Employer and Member Contributions	Market Value Yield	Actuarial Value Yield
2003/04	\$4,490,491	\$4,490,491	\$24,139	\$7,482	\$920,096	6.82%	6.82%
2004/05	\$5,715,382	\$5,715,382	\$35,352	\$9,384	\$996,694	9.66%	9.66%
2005/06	\$7,265,633	\$7,265,633	\$99,145	\$12,606	\$1,047,541	7.49%	7.49%
2006/07	\$8,780,349	\$8,780,349	\$203,233	\$15,223	\$1,016,405	11.90%	11.90%
2007/08	\$10,670,586	\$10,670,586					

* Includes advance City contributions

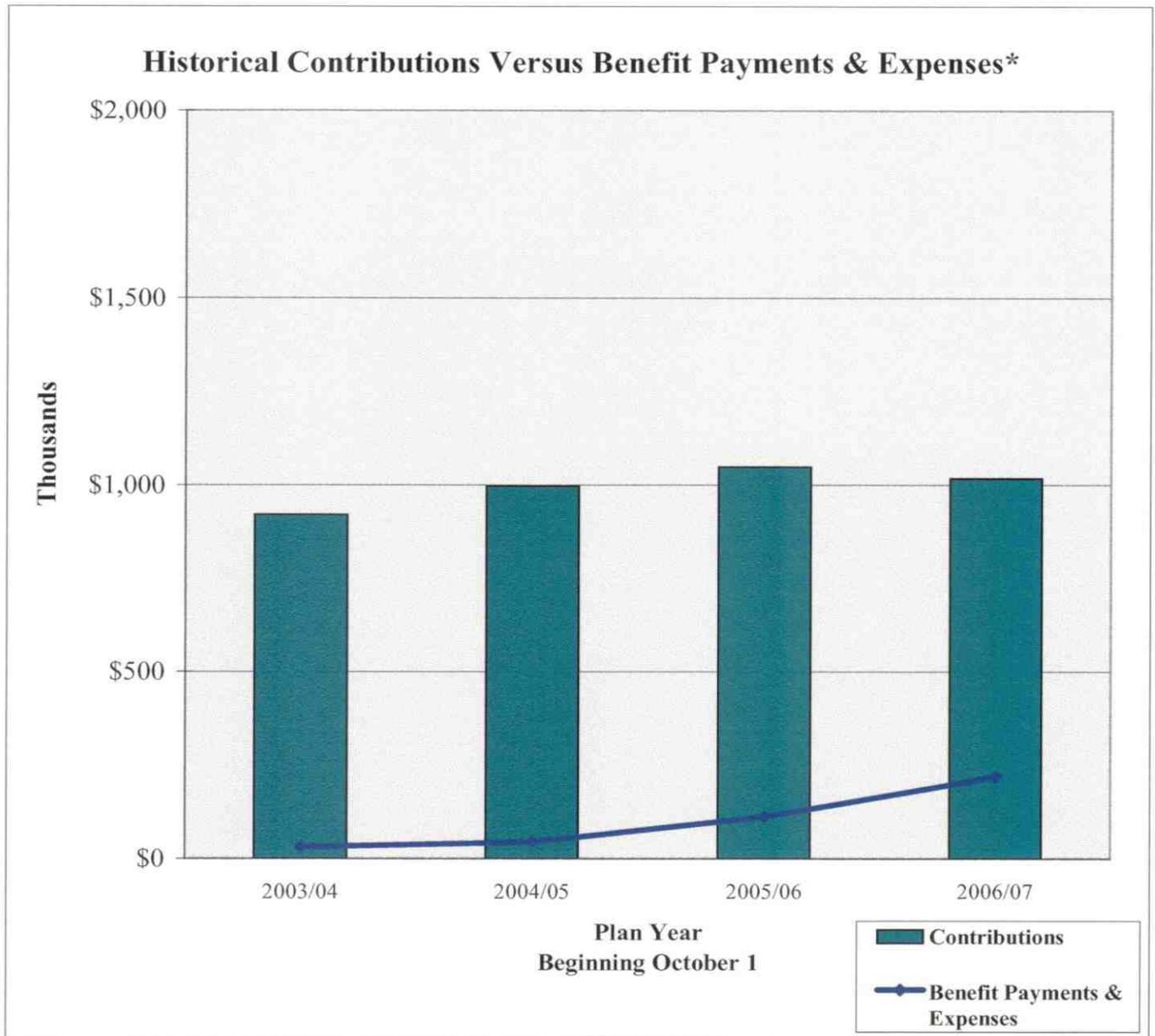
** Including contribution refunds

REVENUES

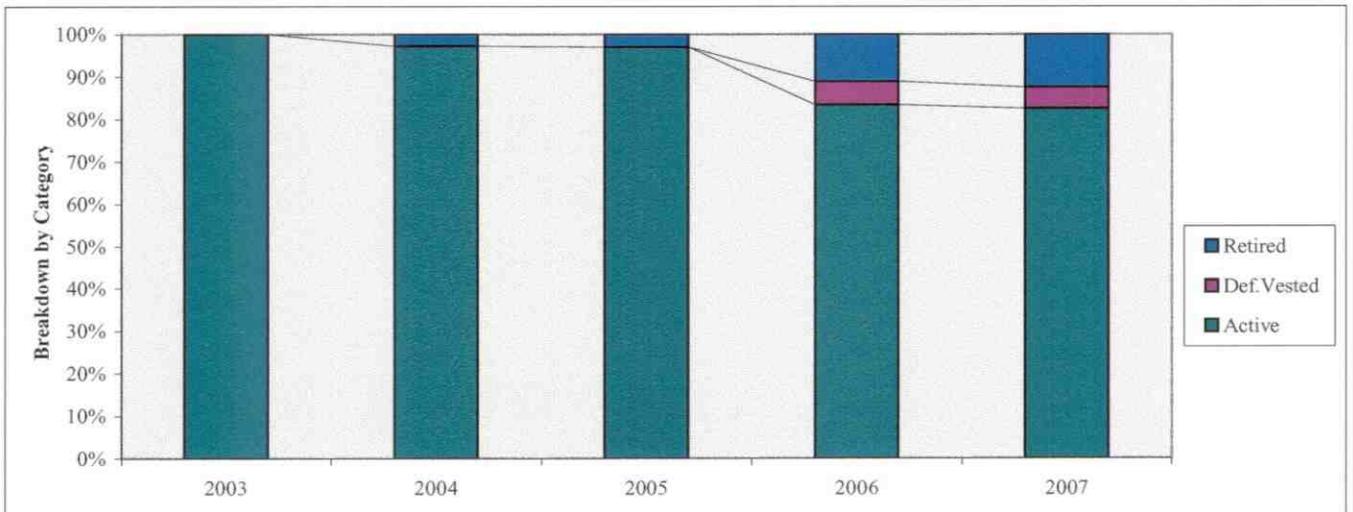
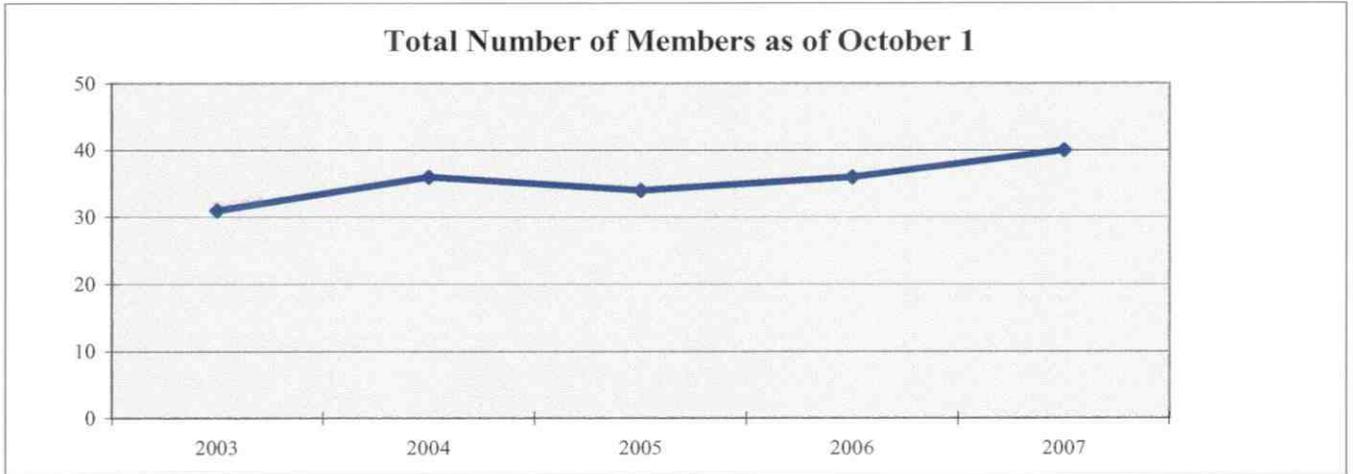
Fiscal Year	Employer Contributions	Employee Contributions	Total Contributions	Net Investment Income	Total
2003/04	\$519,217	\$374,274	\$893,491	\$337,916	\$1,231,407
2004/05	\$614,486	\$305,623	\$920,109	\$598,293	\$1,518,402
2005/06	\$661,587	\$423,396	\$1,084,983	\$578,926	\$1,663,909
2006/07	\$532,254	\$306,673	\$838,927	\$1,092,288	\$1,931,215

EXPENSES

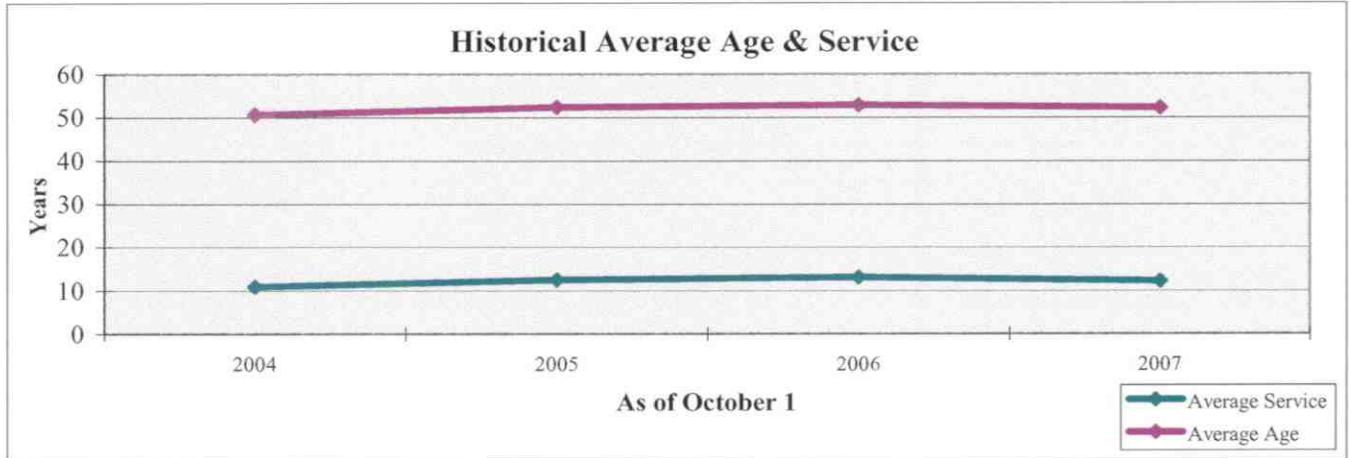
Fiscal Year	Benefits Paid	Member Refunds	Administrative Expenses	Total
2003/04	\$22,385	\$1,754	\$7,482	\$31,621
2004/05	\$29,847	\$5,505	\$9,384	\$44,736
2005/06	\$91,936	\$12,575	\$12,606	\$117,117
2006/07	\$203,233	\$0	\$15,223	\$218,456



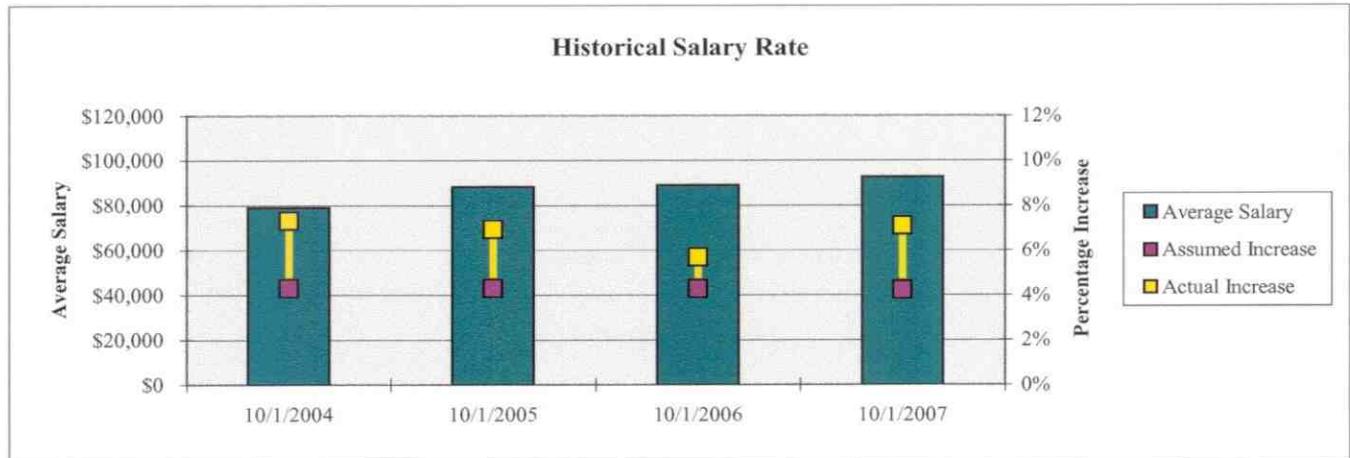
* Please reference Table VI on page 14 for the historical benefit payments, expenses, and contributions.



	As of October 1, 2006	As of October 1, 2007
1. Active Members	30	33
2. Non-active, Non-retired Members		
a. Fully or partially vested	2	2
b. Beneficiaries	0	0
c. Sub-total	<u>2</u>	<u>2</u>
3. Retired Members		
a. Non-disabled	4	5
b. Disabled	0	0
c. DROP members	0	0
d. Beneficiaries	0	0
e. Sub-total	<u>4</u>	<u>5</u>
4. Total Members	<u><u>36</u></u>	<u><u>40</u></u>

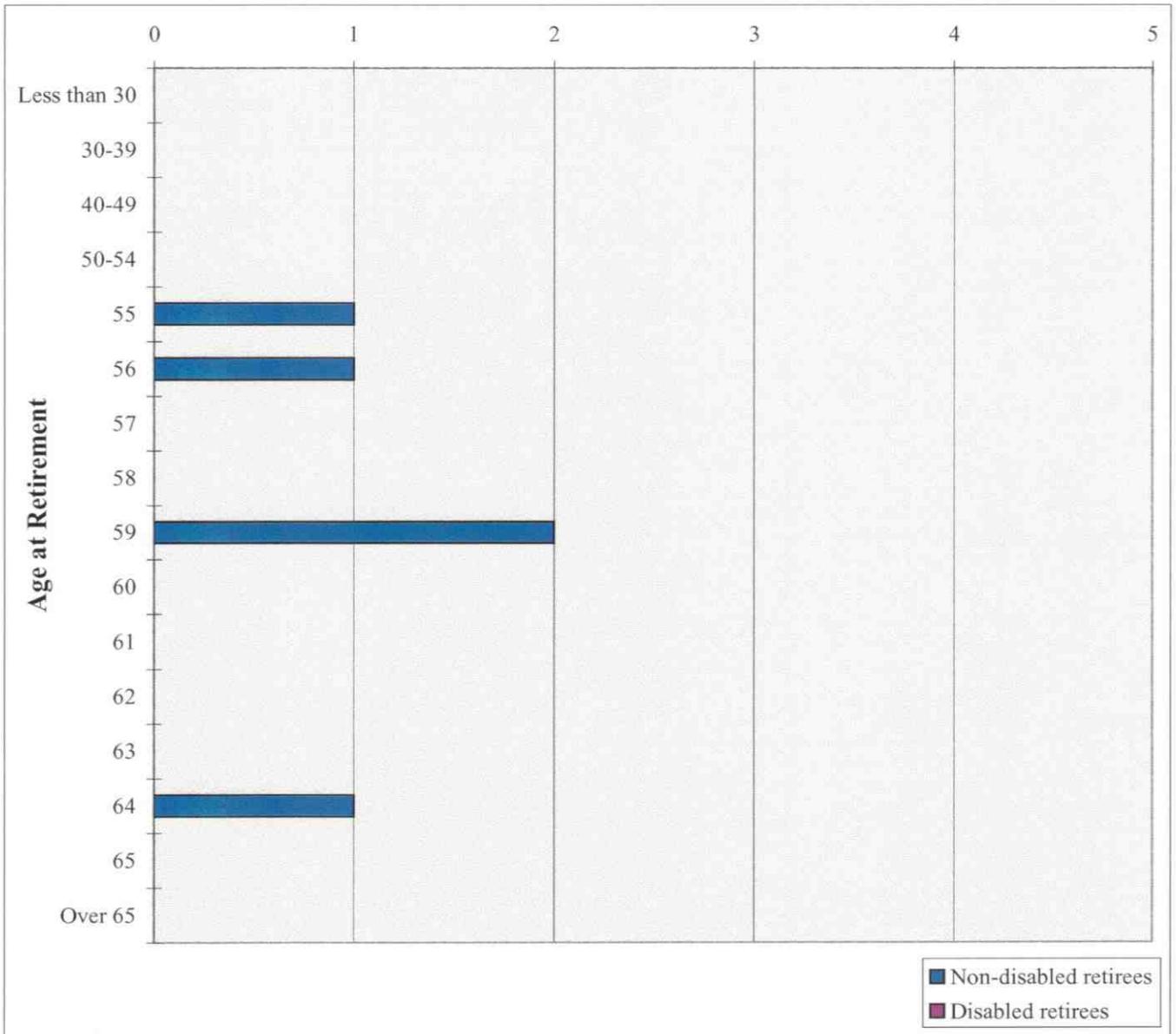


Plan Year	Average Service Earned	Average Attained Age	Plan Year	Average Service Earned	Average Attained Age
2004/05	11.0	50.7	2006/07	13.2	52.9
2005/06	12.6	52.4	2007/08	12.3	52.3



Date	Average Salary	Actual Salary Increase	Date	Average Salary	Actual Salary Increase
10/1/2004	\$79,058	7.30%	10/1/2006	\$89,065	5.69%
10/1/2005	\$88,341	6.93%	10/1/2007	\$92,690	7.09%

Distribution of Age at Retirement for Current Retirees



Average benefit being paid to non-disabled retirees is \$3,846.51 per month.

	<u>Active</u>	<u>Non-active, Non-retired</u>	<u>Retired</u>	<u>Total</u>
1. Number of members as of October 1, 2006	30	2	4	36
2. Change in status during the plan year:				
a. Actives who became inactive				
b. Actives who retired	(1)		1	
c. Inactives who became active				
d. Inactives who retired				
e. Retirees who became active				
3. No longer members due to:				
a. Death				
b. Receipt of lump sum payment				
c. Employment termination				
d. Included in error last year				
4. New member due to:				
a. Initial employment	4			4
b. Death of another member				
c. Omitted in error last year				
d. Reinstatement				
5. Number of members as of October 1, 2007	33	2	5	40

AGE-SERVICE-SALARY TABLE

TABLE VIII d

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	39,504	0	0	0	0	0	0	0	0	0	0	39,504
35 to 39	1	0	0	0	0	0	0	0	0	0	0	1
Avg. Pay	97,330	0	0	0	0	0	0	0	0	0	0	97,330
40 to 44	1	1	1	2	1	0	0	0	0	0	0	6
Avg. Pay	56,769	82,550	78,552	91,419	62,018	0	0	0	0	0	0	77,121
45 to 49	0	2	1	4	2	1	0	0	0	0	0	10
Avg. Pay	0	51,341	78,376	96,226	120,883	92,468	0	0	0	0	0	90,020
50 to 54	1	0	0	1	0	0	0	0	0	0	0	2
Avg. Pay	96,374	0	0	107,004	0	0	0	0	0	0	0	101,689
55 to 59	0	2	0	0	1	0	1	0	0	0	0	4
Avg. Pay	0	55,436	0	0	141,019	0	176,087	0	0	0	0	106,995
60 to 64	0	0	0	3	1	0	2	0	0	0	0	6
Avg. Pay	0	0	0	82,644	106,837	0	118,530	0	0	0	0	98,638
65 & up	0	0	1	1	0	0	0	1	0	0	0	3
Avg. Pay	0	0	99,645	106,854	0	0	0	129,319	0	0	0	111,939
Total	4	5	3	11	5	1	3	1	0	0	0	33
Avg. Pay	72,494	59,221	85,524	93,594	110,328	92,468	137,716	129,319	0	0	0	92,690

1. Actuarial Cost Method

Frozen initial liability cost method

2. Decrements

- **Pre-Retirement Mortality**

Sex-distinct mortality rates set forth in the 1983 Group Annuity Mortality Table, set back five years for females

- **Post-Retirement Healthy Mortality**

Sex-distinct mortality rates set forth in the 1983 Group Annuity Mortality Table, set back five years for females

- **Post-Retirement Disabled Mortality**

Sex-distinct mortality rates set forth in the 1983 Group Annuity Mortality Table, set forward 10 years for males and five years for females

- **Disability**

A sample of the disability rates assumed is set forth in the following table. All disabilities are assumed to be service-related.

	Age	Rate	Age	Rate	Age	Rate	Age	Rate
Male	25	.09%	35	.15%	45	.36%	50	.61%
Female	25	.09%	35	.15%	45	.36%	50	.61%

- **Permanent Withdrawal from Active Status**

Withdrawal rates for participants with less than four years of service were assumed in accordance with the following table.

	Service	Rate	Service	Rate	Service	Rate	Service	Rate
Male < age 40	< 1 year	25%	< 2 years	20%	< 3 years	15%	< 4 years	12%
Male > age 40	< 1 year	17%	< 2 years	12%	< 3 years	9%	< 4 years	6%
Female < age 40	< 1 year	27%	< 2 years	22%	< 3 years	17%	< 4 years	14%
Female > age 40	< 1 year	19%	< 2 years	14%	< 3 years	11%	< 4 years	8%

A sample of the withdrawal rates assumed for participants with at least four years of service is set forth in the following table.

	Age	Rate	Age	Rate	Age	Rate	Age	Rate
Male	25	1.49%	35	0.74%	45	0.27%	50	0.90%
Female	25	6.83%	35	1.49%	45	0.74%	50	0.27%

One-half of all vested participants who terminate their employment are assumed to receive a refund of their accumulated contributions in lieu of any additional benefits from the plan.

(continued)

- **Retirement**

Retirement has been assumed to occur at the end of each year in accordance with the following rates, with an additional 10% probability of retirement assumed upon the attainment of age 55 with at least 75 points:

Age	Rate of Retirement At Each Whole Age
50 through 54	2.5%
55 through 61	5.0%
62	100%

3. Interest Rate

- **Used for Calculating All Liabilities (including GASB 25/27 liabilities)**

8.00% per annum

4. Individual Salary Increases

Salaries for participants under age 50 are assumed to increase at the rate of 4.00% per annum, while salaries for participants over age 50 are assumed to increase at the rate of 4.50% per annum.

5. Expenses

Annual administrative expenses are assumed to be \$15,000. In addition, the interest rate set forth in item 3. above is assumed to be net of investment expenses and commissions.

6. Assets

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

7. Amortization Period

The unfunded frozen initial liability has been amortized over 30 years from October 1, 2003 as a level percentage of payroll. For this purpose, payroll has been assumed to increase at the rate of 4.00% per annum.

There were no assumption changes since the completion of the prior valuation.

1. Monthly Accrued Benefit

3% of Average Final Compensation multiplied by Credited Service

2. Normal Retirement Age and Benefit

- **Age**
Age 62 with at least six years of Credited Service; or
Age 55 with age plus Credited Service at least equal to 75 (“Rule of 75”)
- **Amount**
Monthly Accrued Benefit
- **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 66²/₃% 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; or
Actuarially equivalent lump sum distribution (automatic if the single sum value of the participant’s benefit is less than or equal to \$5,000 or the monthly annuity is less than \$100)

(Note: A participant may change his joint annuitant up to two times after retirement.)

3. Early Retirement Age and Benefit

- **Age**
Age 50 with at least 10 years of Credited Service
- **Amount**
Monthly Accrued Benefit (payable at Normal Retirement Age); or
Monthly Accrued Benefit reduced by 5% for each year by which the participant’s Early Retirement Date precedes his Normal Retirement Date (payable at Early Retirement Age)
- **Form of Payment**
Same as for Normal Retirement

(continued)

4. Disability Eligibility and Benefit

- **Eligibility**

All plan participants are eligible.

- **Condition**

The Board must find that the participant has a physical or mental condition resulting from bodily injury, disease, or a mental disorder which renders him incapable of employment.

- **Amount Payable**

A monthly 10-year certain and life annuity equal to the larger of (a) or (b), as follows, but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-provided disability compensation from exceeding his Average Final Compensation:

- (a) Monthly Accrued Benefit; or
- (b) 25% of Average Final Compensation

5. Delayed Retirement Age and Benefit

- **Age**

After Normal Retirement Age

- **Amount**

Monthly Accrued Benefit

- **Form of Payment**

Same as for Normal Retirement

6. Deferred Vested Benefit

- **Age**

Any age with at least six years of Credited Service

- **Amount**

Monthly Accrued Benefit (payable at Normal Retirement Age); or

Monthly Accrued Benefit reduced by 5% for each year by which the participant's Early Retirement Date precedes his Normal Retirement Date (payable at Early Retirement Age)

- **Form of Payment**

Same as for Normal Retirement

(continued)

7. Pre-Retirement Death Benefit

In the case of the death of a vested participant prior to retirement, his beneficiary will receive the participant's Monthly Accrued Benefit payable for 10 years beginning on the participant's early or normal retirement date. In the case of the death of a non-vested participant prior to retirement, his beneficiary will receive the participant's Accumulated Contributions in lieu of any other benefits payable from the plan.

8. Average Final Compensation

Average of the highest five years of Compensation

9. Compensation

Compensation includes total cash remuneration for services rendered, but excludes lump sum payments of accrued annual and sick leave; annual compensation in excess of \$200,000 (as indexed) is excluded in accordance with IRC §401(a)(17).

10. Credited Service

The elapsed time from the participant's date of hire until his date of termination, retirement, or death, provided that the participant made all required contributions. Participants may 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. Participation Requirement

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

12. Accumulated Contributions

The Employee Contributions accumulated with interest at the rate of 3% per annum; if the participant terminates his employment with less than six years of Credited Service, he receives his Accumulated Contributions in lieu of any other benefits payable from the plan.

13. Participant Contribution

8.00% of earnings

(continued)

14. Definition of Actuarially Equivalent

- **Interest Rate**
8.00% per annum
- **Mortality Table**
1994 Group Annuity Reserving Table, projected to 2002 by Scale AA

15. Plan Effective Date

January 24, 2003

16. Automatic Annual Cost-of-Living Adjustment (COLA)

All retirement and disability benefits include an automatic annual 2.25% cost-of-living adjustment.

17. Deferred Retirement Option Program (DROP)

A DROP is available to those members who have attained their Normal Retirement Age, with a 60-month limit on participation in the DROP and an interest credit equal to 6.50% per annum compounded monthly.

Since the completion of the prior valuation, the plan has been amended to add a Deferred Retirement Option Program (DROP) as described in item 17. of Table X. The addition of the DROP is not expected to impact the actuarial cost of the plan.