

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

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2012

DETERMINES THE CONTRIBUTION
FOR THE 2012/13 FISCAL YEAR



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December 27, 2012

Introduction

This report presents the results of the October 1, 2012 actuarial valuation for the Retirement Plan for the General Management Employees of the City of North Miami Beach. The report is based on the participant data and asset information provided by the pension plan administrator and, except for a cursory review for reasonableness including a comparison to the data provided for the previous valuation, we have not attempted to verify the accuracy of this information.

The primary 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 under Chapter 112, Florida Statutes, for the 2012/13 plan year. In addition, this report provides a projection of the long-term funding requirements of the plan, accounting disclosures pursuant to Governmental Accounting Standards Board Statement Nos. 25 and 27 (GASB 25/27), statistical information concerning the assets held in the trust, statistical information concerning the participant population, and a summary of any recent plan changes.

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

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

Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2012/13 plan year. The minimum required contribution rate is 22.51% of covered payroll, which represents a decrease of 28.44% of payroll from the prior valuation.

Table I-C provides a breakdown of the sources of change in the minimum required contribution rate. Significantly, the rate decreased by 7.54% of payroll due to investment gains, decreased by 4.16% of payroll due to demographic experience, decreased by 17.58% of payroll due to the plan amendment that is described below, and increased by 0.84% of payroll due to an increase in the assumed administrative expenses from \$25,000 per year to \$40,000 per year. The market value of assets earned 17.04% during the 2011/12 plan year, whereas a 7.75% annual investment



return was required to maintain a stable contribution rate. The demographic gain occurred primarily because salary increases were much less than expected.

Chapter 112, Florida Statutes, sets forth the rules concerning the minimum required contribution for public pension plans within the state. Essentially, the City must contribute an amount equal to the annual normal cost of the plan plus an amortization payment towards the unfunded liability, where the amortization period is no longer than 30 years and where both amounts are adjusted as necessary for administrative expenses and to reflect interest on any delayed payment of the contribution beyond the valuation date. On this basis, the City's 2012/13 minimum required contribution is equal to \$418,835. If the October 1, 2012 actuarial valuation is also used to determine the City's 2013/14 minimum required contribution, then the City should contribute \$418,835 for that plan year as well. (Note that the City must also make an additional contribution deposit to cover the contribution delinquency that is discussed in the next section.)

Based on the current assets, participant data, and actuarial assumptions and methods that are used to value the plan, the present-day value of the total long-term funding requirement is \$19,711,917 excluding future administrative expenses beyond the 2012/13 plan year. As illustrated in Table I-A, current assets are sufficient to cover \$14,615,897 of this amount, the employer's 2012/13 contribution will cover \$418,835 of this amount, and future employee contributions are expected to cover \$1,174,443 of this amount, leaving \$3,502,742 to be covered by future employer funding beyond the 2012/13 fiscal year. Again, demographic and investment experience that differs from that assumed will either increase or decrease the future employer funding requirement.

Employer Contribution Delinquency for the 2011/12 Plan Year

The minimum required contribution for the 2011/12 plan year was \$1,202,994, which is equal to 50.95% of covered payroll for the year. In addition, the City owed \$378,597 in past due employer contributions for the 2010/11 plan year. The City made actual deposits of \$1,443,325. When the actual contribution deposits are adjusted by the past due employer contribution for the prior year plus an interest charge on the delinquency, the City's total contribution for the 2011/12 plan year was only \$1,035,387. Therefore, the City owes the plan an additional contribution of \$167,607 as of October 1, 2012. This amount, along with interest accumulated at the rate of 7.75% per annum, should be deposited into the pension trust fund as soon as possible in order to comply with the minimum funding requirements of Chapter 112, Florida Statutes. As of February 1, 2013, the total required deposit including interest is \$171,830.

Plan Amendment

It is our understanding that the City is in the process of adopting Ordinance 2012-33 to be effective February 1, 2013. This ordinance makes numerous substantive changes to the plan, primarily by decreasing future benefit accruals dramatically and by eliminating the automatic annual cost-of-living adjustment with respect to future benefit accruals. Please reference Table VI-B on page VI-5 for a complete description of the changes effected by Ordinance 2012-33.

This actuarial valuation reflects the provisions of Ordinance 2012-33. As shown in Table I-C on page I-3, the plan amendment decreased the minimum required contribution by 17.58% of payroll for the 2012/13 plan year.



Contents of the Report

Tables I-D through I-G provide a detailed breakdown of various liability amounts by type of benefit and by participant group. Tables II-A through II-C provide information needed by both the plan's and the employer's accountants in order to prepare the relevant financial statements that cover the period October 1, 2012 through September 30, 2013. Tables III-A through III-F provide information concerning the assets of the trust fund. Tables IV-A through IV-G provide statistical information concerning the plan's participant population. In particular, Table IV-G gives a 10-year projection of the cash that is expected to be required from the trust fund in order to pay benefits to the current group of participants. Finally, Tables V-A through VI-B provide a summary of the actuarial assumptions and methods that are used to value the plan's benefits and of the relevant plan provisions as of October 1, 2012, as well as a summary of the changes that have occurred since the previous valuation report was prepared.

Refund of Participant Contributions

It is our understanding that there are six participants who are due a refund of their contributions. We have estimated the accumulated amount of their refunds to be \$44,345 as of October 1, 2012. The average amount owed to these individuals is \$7,391. If possible, we recommend that the accumulated contributions be distributed to these individuals in order to simplify the administration of the plan and to reduce future administrative costs.

Certification

This actuarial valuation was prepared by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate and, in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material change in plan costs or required contribution rates have been taken into account in the valuation.

For the firm,



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

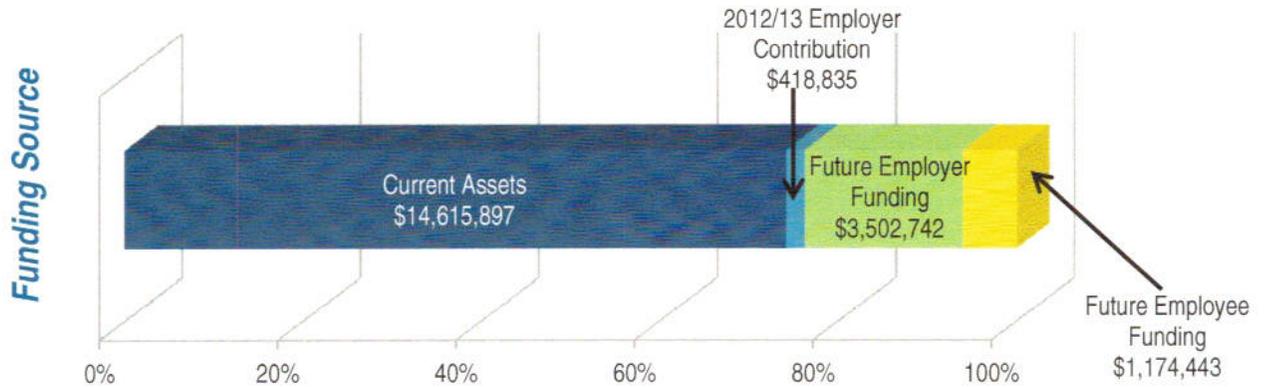
Enrolled Actuary No. 11-04927

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



Minimum Required Contribution

Table I-A



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

For the 2012/13 Plan Year

Normal Cost for the 2012/13 Plan Year	(\$1,966)
Unfunded Liability Amortization Payment for the 2012/13 Plan Year	\$365,262
Expense Allowance for the 2012/13 Plan Year	\$40,000
	\$403,296
Adjustment to Reflect Weekly Employer Contributions	\$15,539

Minimum Required Contribution for the 2012/13 Plan Year **\$418,835**

Expected Payroll for the 2012/13 Plan Year	÷ \$1,860,605
Minimum Required Contribution as a % of Payroll	22.51%

Additional Disclosures

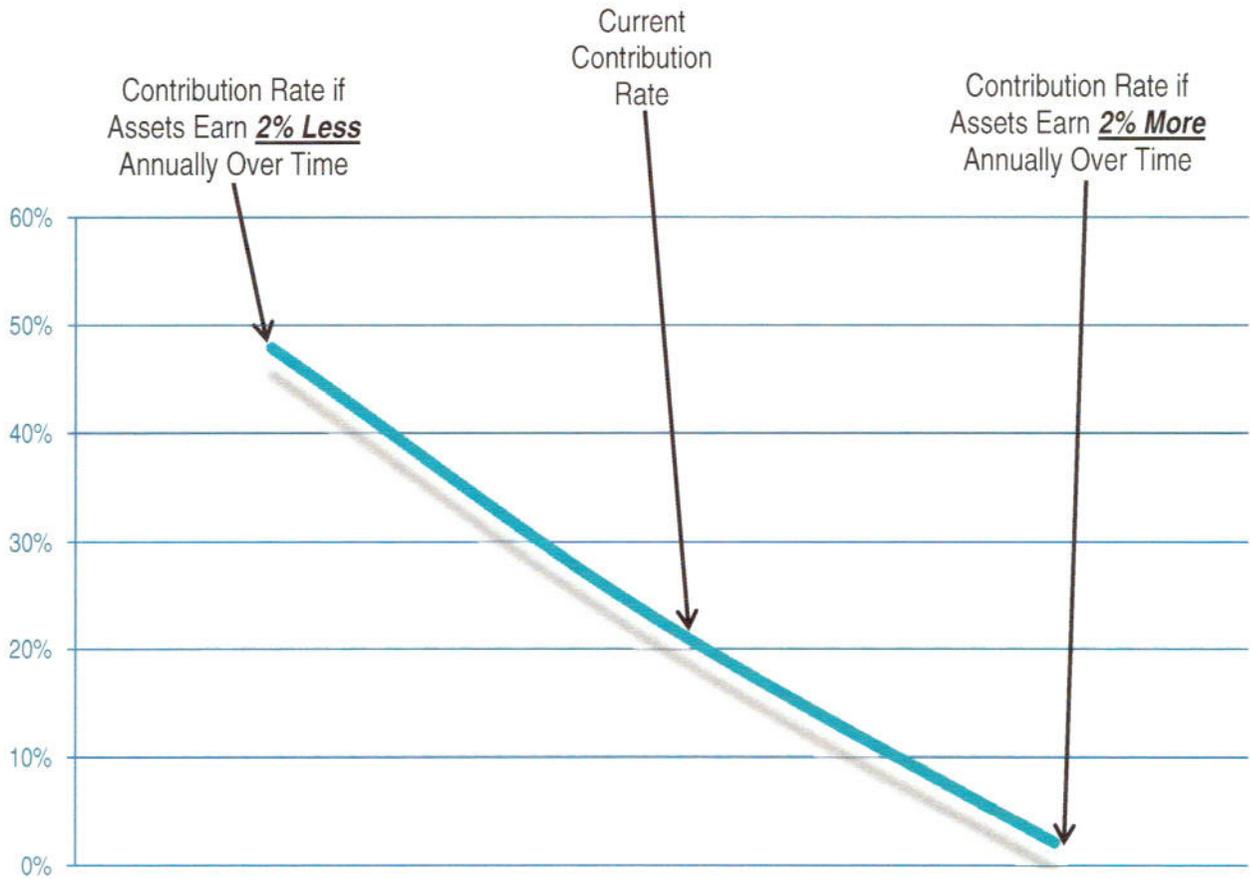
Present Value of Future Compensation	\$14,680,517
Present Value of Future Employer Contributions*	\$3,921,577
Present Value of Future Employee Contributions	\$1,174,443

* Note: Does not include future administrative expenses.



Sensitivity Analysis

Table I-B



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



Gain and Loss Analysis

Table I-C

Source of Change in the Contribution Rate

Previous minimum required contribution rate	50.95%
Increase (decrease) due to investment gains and losses	-7.54%
Increase (decrease) due to demographic experience	-4.16%
Increase (decrease) due to plan amendments	-17.58%
Increase (decrease) due to actuarial assumption changes	0.84%
Increase (decrease) due to actuarial method changes	0.00%
Current minimum required contribution rate	<u>22.51%</u>

Source of Change in the Unfunded Liability

Previous unfunded liability	\$5,264,904
Increase due to interest	\$370,948
Decrease due to amortization payments	(\$478,474)
Increase (decrease) due to plan amendments	(\$1,220,286)
Increase (decrease) due to actuarial assumption changes	\$0
Increase (decrease) due to actuarial method changes	\$0
Current unfunded liability	<u>\$3,937,092</u>



Present Value of Future Benefits

Table I-D

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$8,699,252	\$5,853,325	\$5,853,325
Termination benefits	\$13,312	\$9,543	\$9,543
Disability benefits	\$95,614	\$90,843	\$90,843
Death benefits	\$77,868	\$122,997	\$122,997
Refund of employee contributions	\$53,894	\$51,673	\$51,673
Sub-total	\$8,939,940	\$6,128,381	\$6,128,381
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,790,460	\$1,790,460	\$1,790,460
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,790,460	\$1,790,460	\$1,790,460
<i><u>Due a Refund of Contributions</u></i>	\$44,345	\$44,345	\$44,345
<i><u>Deferred Beneficiaries</u></i>	\$0	\$0	\$0
<i><u>Retired Participants</u></i>			
Service retirements	\$11,748,731	\$11,748,731	\$11,748,731
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$11,748,731	\$11,748,731	\$11,748,731
<i><u>Grand Total</u></i>	<u>\$22,523,476</u>	<u>\$19,711,917</u>	<u>\$19,711,917</u>
Present Value of Future Payroll	\$14,680,517	\$14,680,517	\$14,680,517
Present Value of Future Employee Contribs.	\$1,174,443	\$1,174,443	\$1,174,443
Present Value of Future Employer Contribs.*	\$6,733,136	\$3,921,577	\$3,921,577

* Note: Does not include future administrative expenses.



Present Value of Accrued Benefits

Table I-E

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$3,626,827	\$3,626,827	\$3,626,827
Termination benefits	\$7,751	\$7,751	\$7,751
Disability benefits	\$69,703	\$69,703	\$69,703
Death benefits	\$36,692	\$36,692	\$36,692
Refund of employee contributions	\$37,321	\$37,321	\$37,321
Sub-total	\$3,778,294	\$3,778,294	\$3,778,294
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,790,460	\$1,790,460	\$1,790,460
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,790,460	\$1,790,460	\$1,790,460
<i><u>Due a Refund of Contributions</u></i>	\$44,345	\$44,345	\$44,345
<i><u>Deferred Beneficiaries</u></i>	\$0	\$0	\$0
<i><u>Retired Participants</u></i>			
Service retirements	\$11,748,731	\$11,748,731	\$11,748,731
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$11,748,731	\$11,748,731	\$11,748,731
<i><u>Grand Total</u></i>	<u>\$17,361,830</u>	<u>\$17,361,830</u>	<u>\$17,361,830</u>



Present Value of Vested Benefits

Table I-F

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$3,027,094	\$3,183,084	\$3,183,084
Termination benefits	\$4,731	\$5,812	\$5,812
Disability benefits	\$69,703	\$69,703	\$69,703
Death benefits	\$30,681	\$31,830	\$31,830
Refund of employee contributions	\$43,153	\$41,481	\$41,481
Sub-total	\$3,175,362	\$3,331,910	\$3,331,910
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,790,460	\$1,790,460	\$1,790,460
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,790,460	\$1,790,460	\$1,790,460
<i><u>Due a Refund of Contributions</u></i>	\$44,345	\$44,345	\$44,345
<i><u>Deferred Beneficiaries</u></i>	\$0	\$0	\$0
<i><u>Retired Participants</u></i>			
Service retirements	\$11,748,731	\$11,748,731	\$11,748,731
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$11,748,731	\$11,748,731	\$11,748,731
<i><u>Grand Total</u></i>	<u>\$16,758,898</u>	<u>\$16,915,446</u>	<u>\$16,915,446</u>



Entry Age Normal Accrued Liability

Table I-G

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<u>Actively Employed Participants</u>			
Retirement benefits	\$5,247,562	\$4,009,325	\$4,009,325
Termination benefits	\$8,410	\$7,025	\$7,025
Disability benefits	\$61,898	\$59,224	\$59,224
Death benefits	\$48,549	\$72,024	\$72,024
Refund of employee contributions	\$39,674	\$38,209	\$38,209
Sub-total	\$5,406,093	\$4,185,807	\$4,185,807
<u>Deferred Vested Participants</u>			
Retirement benefits	\$1,790,460	\$1,790,460	\$1,790,460
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,790,460	\$1,790,460	\$1,790,460
<u>Due a Refund of Contributions</u>	\$44,345	\$44,345	\$44,345
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$11,748,731	\$11,748,731	\$11,748,731
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$11,748,731	\$11,748,731	\$11,748,731
<u>Grand Total</u>	<u>\$18,989,629</u>	<u>\$17,769,343</u>	<u>\$17,769,343</u>



Unfunded Liability Bases

Table I-H

<u>Description</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Amortization Payment</u>	<u>Years Rem.</u>
	Total	\$3,937,092	\$365,262	
		↓	↓	
Initial Unfunded Liability	\$5,509,177	\$5,835,078	\$541,348	20
10/1/2009 Assumption Change	(\$717,114)	(\$677,700)	(\$62,874)	20
2/1/2013 Plan Amendment	(\$1,220,286)	(\$1,220,286)	(\$113,212)	20



Development of the Normal Cost

Table I-I

	<u>As of October 1, 2012</u>
Present Value of Future Benefits	\$19,711,917
Unfunded Frozen Liability	(\$3,937,092)
Actuarial Value of Assets	(\$14,615,897)
Present Value of Future Employee Contributions	(\$1,174,443)
Present Value of Future Normal Cost	<u>(\$15,515)</u>
Present Value of Future Compensation	<u>÷ \$14,680,517</u>
Normal Cost Accrual Rate	-0.105684%
Expected Payroll for the Current Year	<u>x \$1,860,605</u>
Normal Cost	<u><u>(\$1,966)</u></u>



Development of the Net Pension Obligation (Asset)

Net Pension Obligation (Asset) as of October 1, 2011	\$96,717
Annual Pension Cost for the 2011/12 Plan Year	\$1,180,604
Employer Contributions for the 2011/12 Plan Year	(\$1,202,994)
Net Increase (Decrease) in NPO	<u>(\$22,390)</u>
Net Pension Obligation (Asset) as of October 1, 2012	<u><u>\$74,327</u></u>

For the 2012/13 Plan Year

Development of the Annual Required Contribution (ARC)

Normal Cost	(\$1,966)
Amortization of the UAAL	\$358,366
Expense Allowance	\$40,000
Amortization of the Net Pension Obligation (Asset)	\$6,896
Interest Adjustment	\$15,539
Annual Required Contribution (ARC)	<u><u>\$418,835</u></u>

Development of the Annual Pension Cost (APC)

Annual Required Contribution (ARC)	\$418,835
Interest on the Net Pension Obligation (Asset)	\$5,760
Adjustment to the ARC	(\$6,896)
Annual Pension Cost (APC)	<u><u>\$417,699</u></u>



Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	% Contrib.	Annual Pension Cost	% Contrib.
2007	\$430,498	128%	\$419,192	132%
2008	\$575,493	95%	\$563,816	97%
2009	\$598,513	103%	\$587,241	105%
2010	\$1,559,617	50%	\$1,565,012	50%
2011	\$1,307,724	112%	\$1,316,866	111%
2012	\$1,181,898	102%	\$1,180,604	102%

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)
October 1, 2007	\$10,474,548	\$16,483,415	\$6,008,867	63.55%	\$2,427,737	247.51%
Not Applicable	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	\$9,515,098	\$14,972,408	\$5,457,310	63.55%	\$2,598,465	210.02%
October 1, 2010	\$11,532,009	\$16,896,704	\$5,364,695	68.25%	\$2,526,499	212.34%
October 1, 2011	\$12,275,228	\$17,540,132	\$5,264,904	69.98%	\$2,319,552	226.98%
October 1, 2012	\$14,615,897	\$18,552,989	\$3,937,092	78.78%	\$1,860,605	211.60%

Additional Information

Valuation Date **October 1, 2012**

Actuarial Cost Method **Frozen initial liability**

Amortization Method **Level dollar, closed**

Remaining Amortization Period **20 years**

Asset Valuation Method **Market value**

Discount Rate **7.75%**

Salary Increase Rate **5.75%**



SFAS 35 Disclosures

Table II-C

Actuarial Present Value of Accrued Benefits

	<u>As of October 1, 2011</u>	<u>As of October 1, 2012</u>
<i>Vested Benefits</i>		
Participants currently receiving benefits	\$11,549,046	\$11,748,731
Other participants	\$5,504,910	\$5,166,715
Sub-total	<u>\$17,053,956</u>	<u>\$16,915,446</u>
<i>Non-Vested Benefits</i>	\$116,077	\$446,384
<i>Total Benefits</i>	<u><u>\$17,170,033</u></u>	<u><u>\$17,361,830</u></u>
<i>Funded Percentage</i>	69.29%	83.22%
(based on the market value of assets)		

Statement of Change in Actuarial Present Value of Accrued Benefits

<u>Actuarial Present Value as of October 1, 2011</u>	<u>\$17,170,033</u>
<i>Increase (Decrease) Due To:</i>	
Interest	\$1,330,678
Benefits accumulated	(\$29,957)
Benefits paid	(\$1,108,924)
Plan amendments	\$0
Changes in actuarial methods and assumptions	\$0
Net increase (decrease)	<u>\$191,797</u>
<u>Actuarial Present Value as of October 1, 2012</u>	<u><u>\$17,361,830</u></u>



Actuarial Value of Assets

Table III-A

Market Value of Assets as of October 1, 2012	\$14,448,290
Minus advance employer contribution	\$167,607
Actuarial Value of Assets as of October 1, 2012	<u>\$14,615,897</u>

<u>Historical Actuarial Value of Assets</u>	
October 1, 2003	\$4,456,320
October 1, 2004	\$5,741,331
October 1, 2005	\$7,214,997
October 1, 2006	\$8,761,789
October 1, 2007	\$10,474,548
October 1, 2008	\$9,491,452
October 1, 2009	\$9,515,098
October 1, 2010	\$11,532,009
October 1, 2011	\$12,275,228
October 1, 2012	\$14,615,897

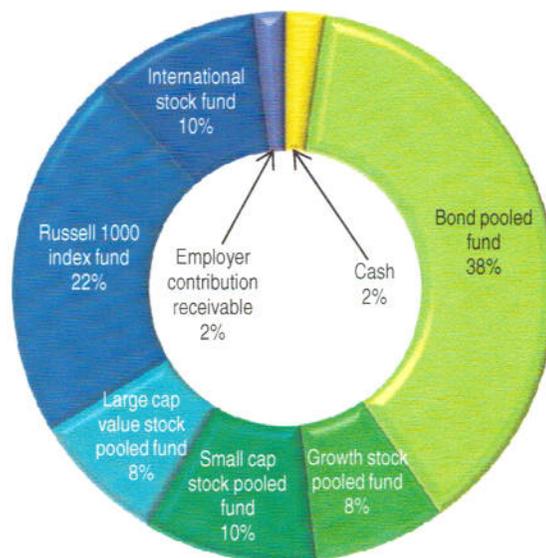


Market Value of Assets

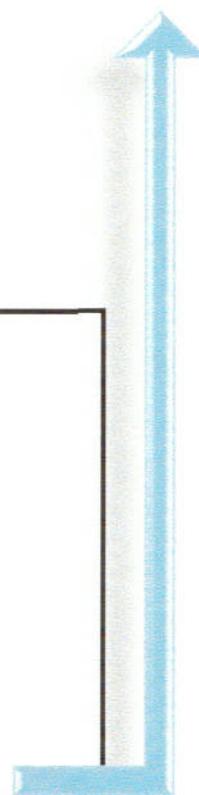
Table III-B

As of October 1, 2012

Market Value of Assets	<u>\$14,448,290</u>
Cash	\$340,288
Bond pooled fund	\$5,487,138
Growth stock pooled fund	\$1,134,292
Small cap stock pooled fund	\$1,474,580
Large cap value stock pooled fund	\$1,162,649
Russell 1000 index fund	\$3,176,018
International stock fund	\$1,403,686
Employer contribution receivable	\$262,631
Employee contribution receivable	\$7,008



<u>Historical Market Value of Assets</u>	
October 1, 2003	\$4,490,491
October 1, 2004	\$5,715,382
October 1, 2005	\$7,265,633
October 1, 2006	\$8,780,349
October 1, 2007	\$10,670,586
October 1, 2008	\$9,813,971
October 1, 2009	\$9,948,842
October 1, 2010	\$10,921,004
October 1, 2011	\$11,896,631
October 1, 2012	\$14,448,290



Investment Return

Table III-C



Plan	Market Value Return	Actuarial Value Return	Assumed Return
2002/03	N/A	N/A	N/A
2003/04	6.82%	6.82%	8.00%
2004/05	9.66%	9.68%	8.00%
2005/06	7.49%	7.52%	8.00%
2006/07	11.90%	12.04%	8.00%
2007/08	-12.73%	-13.03%	8.00%
2008/09	1.98%	1.56%	8.00%
2009/10	9.04%	9.44%	7.75%
2010/11	0.78%	0.75%	7.75%
2011/12	17.04%	16.67%	7.75%



Asset Reconciliation

Table III-D

	<u>Market Value</u>	<u>Actuarial Value</u>
As of October 1, 2011	\$11,896,631	\$12,275,228
<i>Increases Due To:</i>		
Employer Contributions	\$1,443,325	\$1,443,325
Employee Contributions	\$188,890	\$188,890
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$1,632,215</u>	<u>\$1,632,215</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	\$2,068,850	
Total Investment Income	<u>\$2,068,850</u>	\$2,068,850
Other Income	\$0	
Total Income	<u>\$3,701,065</u>	<u>\$3,701,065</u>
<i>Decreases Due To:</i>		
Monthly Benefit Payments	(\$1,006,313)	(\$1,006,313)
Refund of Employee Contributions	(\$102,611)	(\$102,611)
Total Benefit Payments	<u>(\$1,108,924)</u>	<u>(\$1,108,924)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$40,482)	(\$40,482)
Advance Employer Contribution		(\$210,990)
Total Expenses	<u>(\$1,149,406)</u>	<u>(\$1,360,396)</u>
As of October 1, 2012	<u>\$14,448,290</u>	<u>\$14,615,897</u>



Historical Trust Fund Detail

Table III-E

Income

<u>Plan</u> <u>Year</u>	<u>Employer</u> <u>Contribs.</u>	<u>Employee</u> <u>Contribs.</u>	<u>Service</u> <u>Purchase</u> <u>Contribs.</u>	<u>Interest /</u> <u>Dividends</u>	<u>Realized</u> <u>Gains /</u> <u>Losses</u>	<u>Unrealized</u> <u>Gains /</u> <u>Losses</u>	<u>Other</u> <u>Income</u>
2002/03	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003/04	\$550,148	\$213,348	\$156,600	\$0	\$0	\$336,416	\$0
2004/05	\$691,071	\$305,623	\$0	\$0	\$0	\$598,293	\$0
2005/06	\$629,511	\$423,396	\$0	\$0	\$0	\$578,926	\$0
2006/07	\$709,732	\$306,673	\$0	\$0	\$0	\$1,092,288	\$0
2007/08	\$672,891	\$227,778	\$0	\$0	\$0	-\$1,391,889	\$0
2008/09	\$712,428	\$231,524	\$0	\$0	\$0	\$193,321	\$0
2009/10	\$787,088	\$242,181	\$0	\$0	\$0	\$902,737	\$0
2010/11	\$1,700,324	\$226,880	\$0	\$0	\$0	\$88,402	\$0
2011/12	\$1,443,325	\$188,890	\$0	\$0	\$0	\$2,068,850	\$0

Expenses

<u>Plan</u> <u>Year</u>	<u>Monthly</u> <u>Benefit</u> <u>Payments</u>	<u>Contrib.</u> <u>Refunds</u>	<u>Admin.</u> <u>Expenses</u>	<u>Invest.</u> <u>Expenses</u>
2002/03	N/A	N/A	N/A	N/A
2003/04	\$22,385	\$1,754	\$7,482	\$0
2004/05	\$29,847	\$5,505	\$9,384	\$0
2005/06	\$91,936	\$12,575	\$12,606	\$0
2006/07	\$203,233	\$0	\$15,223	\$0
2007/08	\$314,411	\$32,147	\$18,837	\$0
2008/09	\$946,799	\$32,952	\$22,651	\$0
2009/10	\$911,871	\$18,113	\$29,860	\$0
2010/11	\$944,431	\$65,943	\$29,605	\$0
2011/12	\$1,006,313	\$102,611	\$40,482	\$0

Other Actuarial Adjustments

<u>Advance</u> <u>Employer</u> <u>Contribs.</u>
N/A
-\$60,120
\$76,585
-\$32,076
\$177,478
\$126,481
\$65,253
-\$998,777
\$232,408
\$210,990

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



Other Reconciliations

Table III-F

Advance Employer Contribution

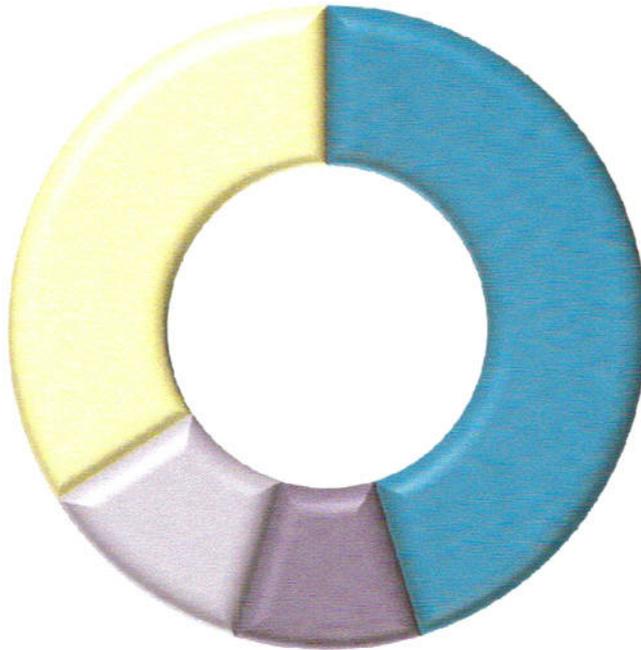
Advance Employer Contribution as of October 1, 2011	(\$378,597)
Additional Employer Contribution	\$1,443,325
Interest Charge on Contribution Deficiency	(\$29,341)
Minimum Required Contribution	(\$1,202,994)
Net Increase in Advance Employer Contribution	\$210,990
Advance Employer Contribution as of October 1, 2012	<u>(\$167,607)</u>



Summary of Participant Data

Table IV-A

As of October 1, 2012

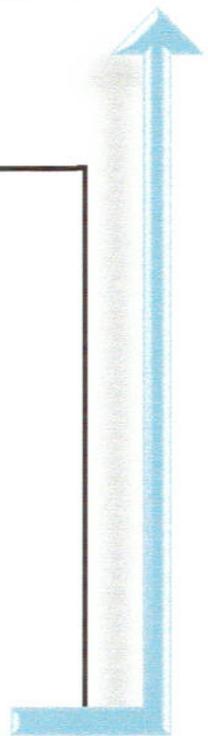


Participant Distribution by Status

<u>Actively Employed Participants</u>		
◆	Active Participants	24
◆	DROP Participants	0
<u>Inactive Participants</u>		
◆	Deferred Vested Participants	5
◆	Due a Refund of Contributions	6
◆	Deferred Beneficiaries	0
<u>Participants Receiving a Benefit</u>		
◆	Service Retirements	18
◆	Disability Retirements	0
◆	Beneficiaries Receiving	0
Total Participants		53

Number of Participants Included in Prior Valuations

	<i>Active</i>	<i>DROP</i>	<i>Inactive</i>	<i>Retired</i>	<i>Total</i>
October 1, 2003	31	0	0	0	31
October 1, 2004	35	0	0	1	36
October 1, 2005	33	0	0	1	34
October 1, 2006	30	0	2	4	36
October 1, 2007	33	0	2	5	40
October 1, 2008	N/A	N/A	N/A	N/A	N/A
October 1, 2009	31	0	5	16	52
October 1, 2010	31	0	9	16	56
October 1, 2011	28	0	12	18	58
October 1, 2012	24	0	11	18	53



Data Reconciliation

Table IV-B

	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2011</u>	28	0	5	7	0	18	0	0	58
<u>Change in Status</u>									
Re-employed									
Terminated	(6)		1	5					
Retired			(1)			1			
<u>Participation Ended</u>									
Transferred Out									
Cashed Out				(7)					(7)
Died						(1)			(1)
<u>Participation Began</u>									
Newly Hired	2								2
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
				1					1
<u>October 1, 2012</u>	24	0	5	6	0	18	0	0	53

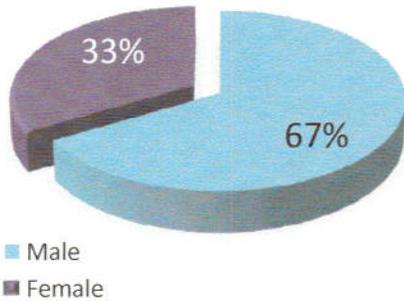


Active Participant Data

Table IV-C

As of October 1, 2012

Gender Mix



Average Age	51.2 years
Average Service	6.8 years
Total Annualized Compensation for the Prior Year	\$2,055,913
Total Expected Compensation for the Current Year	\$1,860,605
Average Increase in Compensation for the Prior Year	-0.29%
Expected Increase in Compensation for the Current Year	5.75%
Accumulated Contributions for Active Employees	\$1,425,869



Actual vs. Expected Salary Increases

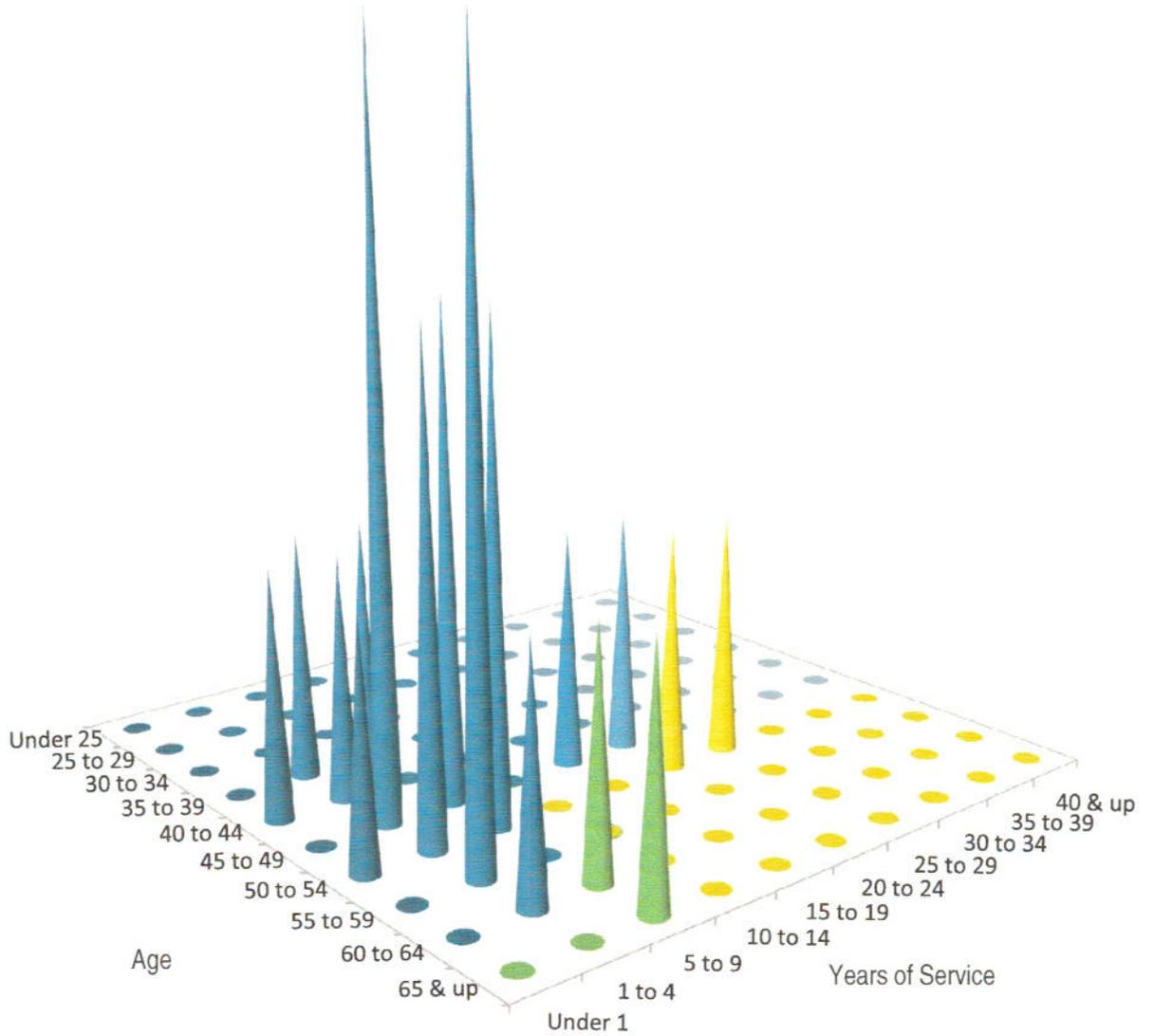
Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2003	50.3	12.3	\$79,804	N/A	N/A
October 1, 2004	50.7	10.9	\$79,058	7.30%	4.30%
October 1, 2005	52.4	12.6	\$88,341	6.93%	4.67%
October 1, 2006	52.9	13.2	\$89,065	5.69%	6.45%
October 1, 2007	52.3	12.3	\$92,690	7.09%	6.73%
October 1, 2008	N/A	N/A	N/A	4.10%	4.98%
October 1, 2009	49.6	6.2	\$93,242	4.19%	10.10%
October 1, 2010	50.9	6.5	\$86,846	5.75%	-4.19%
October 1, 2011	50.4	5.7	\$88,903	5.75%	1.69%
October 1, 2012	51.2	6.8	\$85,663	5.75%	-0.29%



Active Age-Service Distribution

Table IV-D



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



Active Age-Service-Salary Table

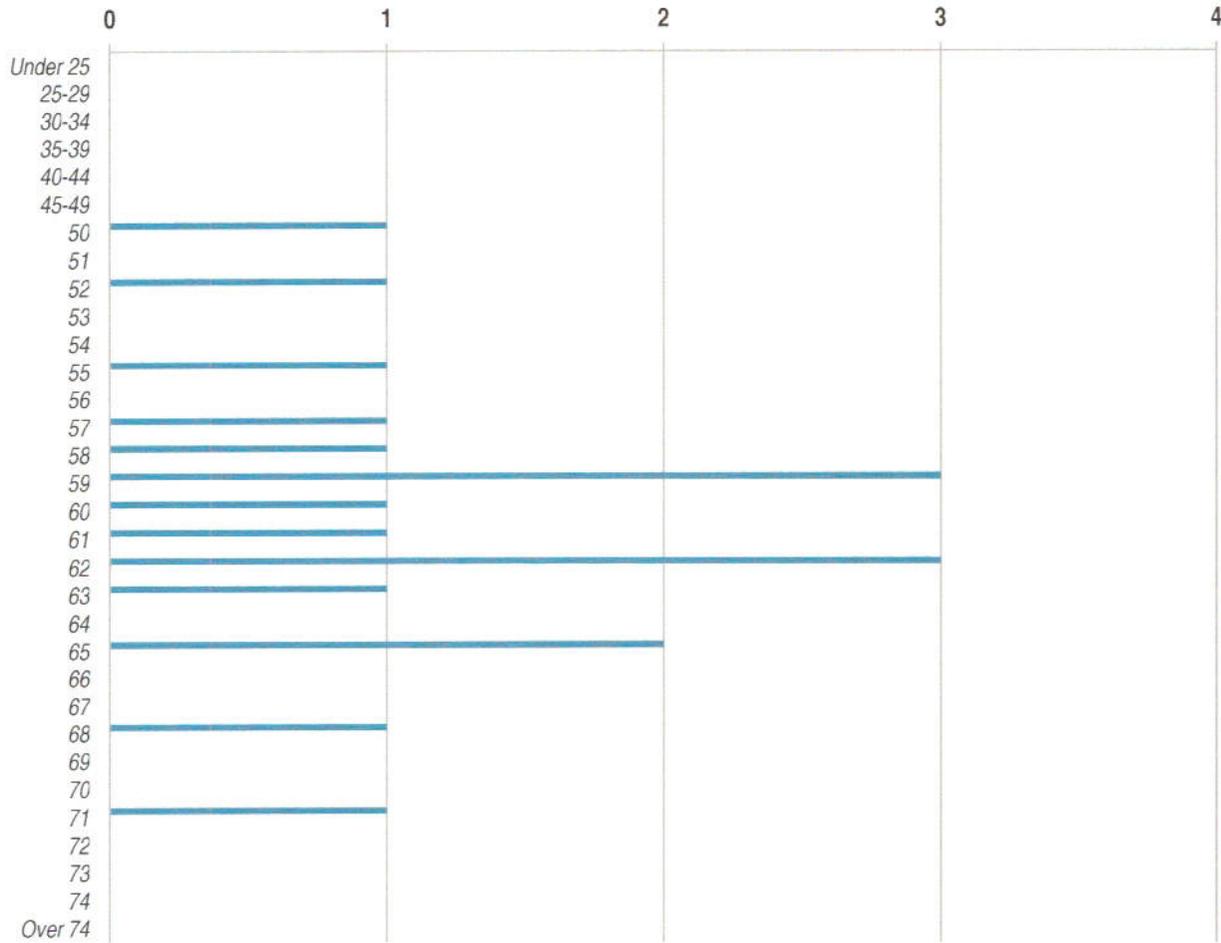
Table IV-E

Attained Age	Completed Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	0	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	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
35 to 39	0	1	1	0	0	0	0	0	0	0	0	2
Avg.Pay	0	106,564	40,587	0	0	0	0	0	0	0	0	73,576
40 to 44	1	1	0	0	0	0	0	0	0	0	0	2
Avg.Pay	83,959	85,587	0	0	0	0	0	0	0	0	0	84,773
45 to 49	0	3	2	0	1	1	0	0	0	0	0	7
Avg.Pay	0	66,025	76,615	0	116,592	63,973	0	0	0	0	0	75,981
50 to 54	1	2	2	0	0	1	1	0	0	0	0	7
Avg.Pay	118,257	115,588	51,938	0	0	188,910	93,064	0	0	0	0	105,040
55 to 59	0	3	0	0	0	0	0	0	0	0	0	3
Avg.Pay	0	78,779	0	0	0	0	0	0	0	0	0	78,779
60 to 64	0	1	1	0	0	0	0	0	0	0	0	2
Avg.Pay	0	80,587	82,341	0	0	0	0	0	0	0	0	81,464
65 & up	0	0	1	0	0	0	0	0	0	0	0	1
Avg.Pay	0	0	72,800	0	0	0	0	0	0	0	0	72,800
Total	2	11	7	0	1	2	1	0	0	0	0	24
Avg.Pay	101,108	85,302	64,690	0	116,592	126,442	93,064	0	0	0	0	85,663



Inactive Participant Data

Table IV-F



Age at Retirement

- Service Retirements
- Disability Retirements
- DROP Participants

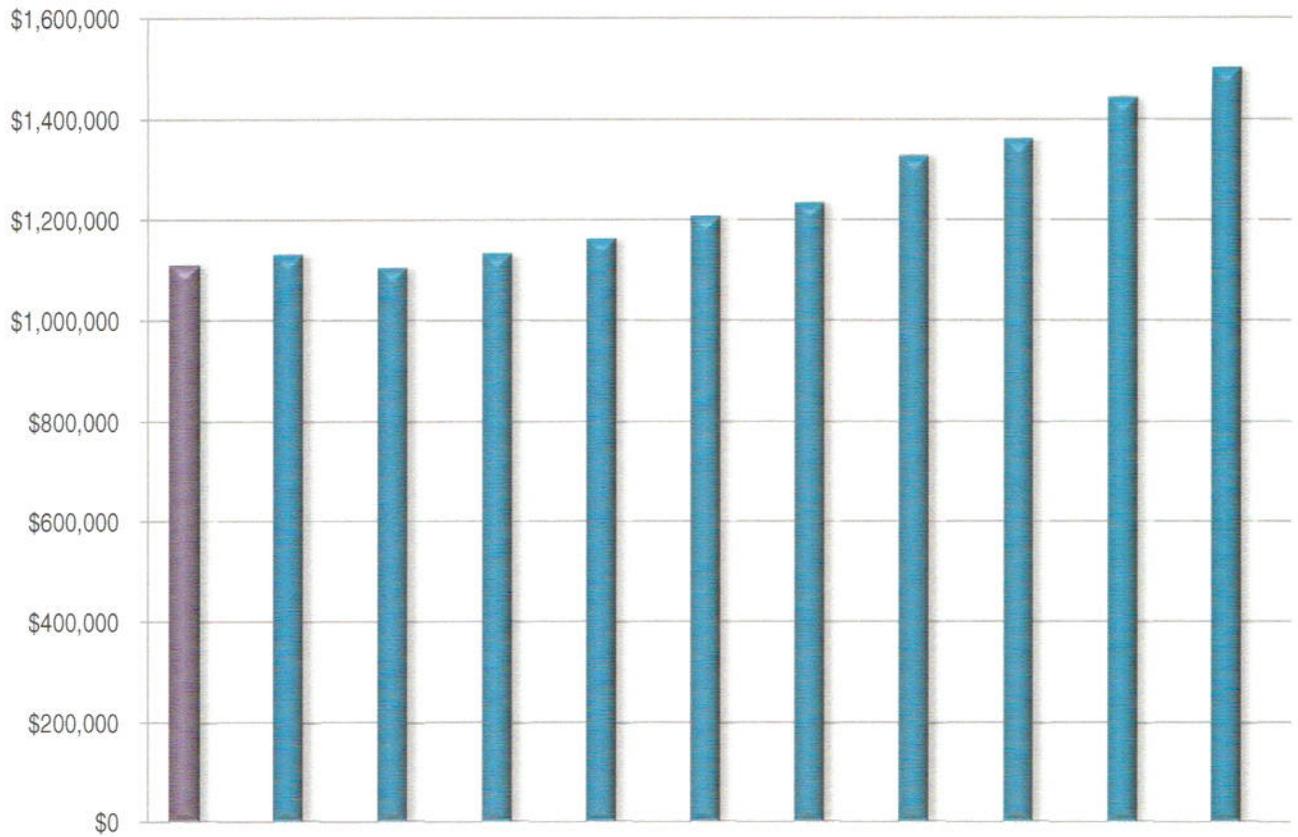
Average Monthly Benefit

Service Retirements	\$4,700.52
Disability Retirements	Not applicable
Beneficiaries Receiving	Not applicable
DROP Participants	Not applicable
Deferred Vested Participants	\$2,984.08
Deferred Beneficiaries	Not applicable



Projected Benefit Payments

Table IV-G



Actual

For the period October 1, 2011 through September 30, 2012

\$1,108,924

Projected

For the period October 1, 2012 through September 30, 2013

\$1,129,942

For the period October 1, 2013 through September 30, 2014

\$1,104,074

For the period October 1, 2014 through September 30, 2015

\$1,132,617

For the period October 1, 2015 through September 30, 2016

\$1,162,643

For the period October 1, 2016 through September 30, 2017

\$1,207,272

For the period October 1, 2017 through September 30, 2018

\$1,233,451

For the period October 1, 2018 through September 30, 2019

\$1,327,439

For the period October 1, 2019 through September 30, 2020

\$1,361,002

For the period October 1, 2020 through September 30, 2021

\$1,442,856

For the period October 1, 2021 through September 30, 2022

\$1,501,043



Summary of Actuarial Methods and Assumptions

Table V-A

1. Actuarial Cost Method

Frozen initial liability cost method. Under this actuarial cost method, an unfunded liability is developed at the inception of the plan using the individual entry age normal cost method. Over time, this unfunded liability is adjusted to reflect changes in the entry age normal accrued liability due to plan amendments and changes in actuarial assumptions and methods. The employer makes a periodic contribution towards the unfunded liability which is intended to eliminate the unfunded liability over a pre-determined period. In addition, each year the total projected liability in excess of the unfunded liability, accumulated assets, and future employee contributions is divided by the present value of future compensation to develop a level funding percentage for the plan as a whole. The level funding percentage is then multiplied by the covered payroll for the year immediately following the valuation date to determine the normal cost for that year.

2. Amortization Method

The unfunded liability is amortized as a level dollar amount over a fixed period of 30 years from October 1, 2002.

3. Asset Method

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

4. Interest (or Discount) Rate

7.75% per annum

5. Salary Increases

Plan compensation is assumed to increase at the rate of 5.75% per annum, unless actual plan compensation is known for a prior plan year.

6. Decrements

- Pre-retirement mortality: Sex-distinct rates set forth in the RP-2000 Mortality Table for non-annuitants, projected to 2007 by Scale AA, as published by the IRS for purposes of IRC section 430
- Post-retirement mortality: Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2007 by Scale AA, as published by the IRS for purposes of IRC section 430



Summary of Actuarial Methods and Assumptions

Table V-A

(continued)

- Disability: Age-based rates of disability were assumed, ranging from 0.09% at age 25, 0.15% at age 35, 0.36% at age 45, and 0.61% at age 50.
- Termination: With respect to participants with less than four years of service, the termination rates are both gender- and service-based, ranging from 25.00% for males and 27.00% for females with less than one year of service to 12.00% for males and 14.00% for females with between three and four years of service; with respect to participants with at least four years of service, the termination rates are both gender- and age-based, ranging from 1.49% for males and 6.83% for females at age 25 to 0.90% for males and 0.27% for females at age 50.
- Retirement: For those participants who have met the age and service requirements to retire, retirement is assumed to occur at the rate of 2.50% per year at each of ages 50 through 54, 5.00% per year at each of ages 55 through 61, and 100% at age 62; an additional 10% retirement is assumed upon the attainment of age 55 with at least 75 points (age plus service).

7. Form of Payment

Future retirees have been assumed to select the 10-year certain and life annuity, except that 50% of individuals who terminate their employment prior to retirement are assumed to elect a refund of their accumulated contributions in lieu of a monthly annuity.

8. Expenses

Administrative expenses are assumed to be \$40,000 per year. In addition, the interest rate set forth in item 4. above is assumed to be net of investment expenses and commissions.



Changes in Actuarial Methods and Assumptions

Table V-B

Since the completion of the previous valuation, the assumed administrative expenses have been increased from \$25,000 per year to \$40,000 per year.



Summary of Plan Provisions

Table VI-A

1. **Benefit Formula**

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

2. **Service Retirement**

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

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

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

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

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

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

Age 50 with at least 10 years of credited service

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

Age 55 with at least 10 years of credited service

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



Summary of Plan Provisions

Table VI-A

(continued)

3. **Disability Retirement**

The disability benefit is a monthly 10-year certain and life annuity equal to the larger of the monthly accrued benefit or 25% of average monthly earnings, but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-financed disability or salary continuation benefit (excluding social security benefits) from exceeding his average monthly earnings. The participant may convert his disability benefit into any of the optional forms of payment that are otherwise available under the plan.

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

4. **Deferred Vested Retirement**

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

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

5. **Vesting**

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

6. **Pre-Retirement Death Benefit**

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

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



Summary of Plan Provisions

Table VI-A

(continued)

7. Form of Payment

Actuarially increased single life annuity *(optional)*;

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

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

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

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

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

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

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

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

8. Automatic Cost-of-Living Adjustment

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

9. Average Monthly Earnings

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



Summary of Plan Provisions

Table VI-A

(continued)

10. **Credited Service**

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

11. **Employee Contribution**

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

12. **City Contribution**

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

13. **Participant Requirement**

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

14. **Actuarial Equivalence**

Based on 7.75% interest per annum and the unisex mortality table promulgated by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 417(e)(3).

15. **Plan Effective Date**

The plan was originally effective on January 24, 2003.



Summary of Plan Amendments

Table VI-B

The City is in the process of adopting Ordinance 2012-33. This ordinance makes the following changes to the plan effective February 1, 2013:

- (1) The benefit formula multiplier that applies to service earned on and after February 1, 2013 has been reduced from 3.00% to 2.00%.
- (2) The normal retirement age with respect to benefits earned on and after February 1, 2013 has been delayed until the participant's social security retirement age (age 66 with respect to participants born during the years 1938 through 1954 or age 67 with respect to participants born after 1954) for participants born after 1937.
- (3) The early retirement age with respect to benefits earned on and after February 1, 2013 has been delayed until age 55 with at least 10 years of service.
- (4) The early retirement reduction with respect to benefits earned on and after February 1, 2013 has been changed from 5% per year prior to normal retirement age to an actuarially determined reduction.
- (5) The vesting schedule has been changed from full vesting after six years of service to 50% vesting after four years of service and full vesting after six years of service.
- (6) Plan compensation on and after February 1, 2013 includes only base salary.
- (7) Participants may no longer purchase prior service or a higher benefit formula multiplier.
- (8) The Deferred Retirement Option Plan (DROP) has been eliminated.
- (9) The automatic annual cost-of-living adjustment (COLA) has been eliminated with respect to benefits earned on and after February 1, 2013. Instead, with respect to benefits earned on and after February 1, 2013, the City Council may adopt an ad hoc COLA from time to time.

