

February 10, 2012

Mr. Martin Lebowitz  
Administrator  
City of North Miami Beach  
17011 N.E. 19th Avenue – Room 311  
North Miami Beach, Florida 33162

**Re: Retirement Plan for General Employees of the City of North Miami Beach  
Experience Investigation for the Five Years Ended September 30, 2011**

Dear Marty:

As requested, we are pleased to enclose eight (8) copies of the Experience Investigation for the Five Years Ended September 30, 2011 for the Retirement Plan for General Employees' of the City of North Miami Beach.

We appreciate the opportunity to have performed this important assignment on behalf of the Board and look forward to presenting the key financial results of our Experience Investigation at the Board Meeting on February 16<sup>th</sup>.

If you should have any questions concerning the above, please do not hesitate to call.

Sincerest regards,



Lawrence F. Wilson, A.S.A.  
Senior Consultant and Actuary

Enclosures



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

*EXPERIENCE INVESTIGATION FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2011*

**February 10, 2012**





February 10, 2012

Retirement Committee  
c/o Mr. Martin Lebowitz  
Administrator  
City of North Miami Beach  
17011 N.E. 19th Avenue – Room 311  
North Miami Beach, Florida 33162

**Re: Experience Study**

Dear Marty:

Gabriel, Roeder, Smith & Company is pleased to provide the results of an experience investigation for the Retirement Plan for General Employees of the City of North Miami Beach.

The experience investigation covers the five-year period from October 1, 2006 through September 30, 2011. Our experience investigation reflects the latest AFSCME covering the period October 1, 2008 through September 30, 2011 along with discussions with management involving work force projections.

Based upon the results, certain changes in actuarial assumptions for valuation purposes are recommended effective October 1, 2011.

The Table of Contents, which immediately follows, sets out the material contained in this Report.

This Experience Study is based upon assumptions regarding future events, which may or may not materialize and based upon Plan provisions as outlined in our October 1, 2010 Actuarial Valuation Report. Should you have reason to believe the assumptions used are unreasonable, the Plan provisions are incorrectly described, the important and relevant Plan provisions are not described, or that conditions have changed since the date of the calculations, you should contact the undersigned prior to relying on information in the Experience Study. As you may be aware, in the event that more than one change is being considered, it is important to note that separate valuations cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to interaction of various Plan provisions, actuarial assumptions and actuarial methods with each other.

Future actuarial measurements may differ significantly from the current measurements presented in this Experience Study due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in Plan

Mr. Martin Lebowitz  
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provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This Experience Study should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this Experience Study in a manner other than the intended purpose may produce significantly different results.

This Experience Study has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this Experience Study is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

The signing actuaries are independent of the system sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. We are available to respond to any questions with regards to matters covered in this report.

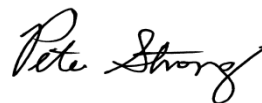
We are available to respond to any comments or questions from the interested parties.

Respectfully submitted,  
GABRIEL, ROEDER, SMITH & COMPANY



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Lawrence F. Wilson, A.S.A.  
Senior Consultant and Actuary



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Peter N. Strong, A.S.A.  
Consultant and Actuary

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

**EXPERIENCE INVESTIGATION**

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

**EXPERIENCE INVESTIGATION**

**SUMMARY OF FINDINGS**

The five-year period (October 1, 2006 to September 30, 2011) covered by this experience investigation provided sufficient data to form a basis for recommending updates in the following demographic and financial assumptions used in the actuarial valuation of the Retirement Plan.

Recommended changes in actuarial assumptions resulting from this experience investigation including costs as a percentage of payroll (\$12,754,334) are summarized below. (Note: the amortization period for the change in actuarial accrued liability resulting from the assumption changes is 30 years.)

- Update the current service based table with future salary increase assumptions to reflect slightly higher observed salary increases than expected for shorter service members and lower observed salary increases than expected in later years.

<b>Cost</b>
(1.85%)

- Update the current four-year select and ultimate assumed rates of future employment termination based on actual observed experience.

<b>Cost</b>
(1.37%)

- Update assumed rates of future retirement to reflect higher overall observed retirement experience than expected and a trend for members with less than twenty (20) years of completed service to continue in employment beyond the normal retirement age.

<b>Cost</b>
+1.12%

- Consider lowering the assumed investment return rate from 8.25% to 8.00%.

<b>Cost</b>
+ 1.76%

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

**EXPERIENCE INVESTIGATION**

**SUMMARY OF FINDINGS (Continued)**

- Consider lowering the assumed investment return rate from 8.25% to 7.75%.

<b>Cost</b>
+ 3.57%

- Combined effect of all assumption changes, NOT INCLUDING either of the above changes in assumed investment return.

<b>Cost</b>
(2.01%)

- Combined effect of all assumption changes, INCLUDING a change in assumed investment return from 8.25% to 8.00%.

<b>Cost</b>
(0.41%)

- Combined effect of all assumption changes, INCLUDING a change in assumed investment return from 8.25% to 7.75%.

<b>Cost</b>
+ 1.24%



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

**EXPERIENCE INVESTIGATION RESULTS**

The methodology, basic results and conclusions of the five-year experience investigation of the actuarial assumptions are described below.

**Methodology**

The investment return assumption was reviewed based upon future expectations and historical statistical data.

The expected salaries at the end of each year were obtained by use of the salary scale assumption (4.75% - 7.50% based on years of completed service) used in the October 1, 2010 actuarial valuation. The resulting expected salaries were then compared with the actual salaries reported.

The number of members exposed to risk during each period was tabulated (exposure) and the expected incidence of withdrawal (vested and non-vested) and retirement were obtained by use of the withdrawal and retirement rate assumptions employed in the October 1, 2010 actuarial valuation. The actual number of separations and retirements were tabulated and compared with those expected – DROPs are considered retirements.

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

**EXPERIENCE INVESTIGATION RESULTS**

**Basic Results and Conclusions**

*Rates of Salary Increase*

Observed rate of pay increases were higher during the first six years and lower in years thereafter than those expected based upon the current assumptions. Compensation during the first two years was not included in the analysis, due to large fluctuations in pay and incomplete data (two year waiting period).

Based on input from the City including the Agreement between the City of North Miami Beach, Florida and North Miami Beach, City Employees Local 3293, AFSCME effective October 21, 2008 covering the three years ended September 30, 2011, we have assumed the City will continue to provide limited salary increases during the period October 1, 2011 through September 30, 2014. We have assumed pay increase will average 3.75% annually for the next three years.

Year Ended	Actual % Increase
09/30/2011	3.62%
09/30/2010	3.50%
09/30/2009	2.97%
Last 3 Years	3.36%

We propose the total rate of salary increase with components as follows effective October 1, 2014.

<b>SALARY INCREASES</b>						
Years of Service	Current Salary Schedule			Proposed Salary Schedule (Ultimate)		
	Assumed Wage Inflation	Promotion & Seniority	Total Current Rates	Assumed Wage Inflation	Promotion & Seniority	Total Proposed Rates
< 6	4.50%	3.00%	7.50%	4.00%	4.00%	8.00%
6 - 10	4.50%	1.75%	6.25%	4.00%	1.50%	5.50%
11 - 14	4.50%	1.50%	6.00%	4.00%	0.50%	4.50%
15 & after	4.50%	0.25%	4.75%	4.00%	0.25%	4.25%

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

**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Retirement*

The actual number of retirements observed was higher than the total number of expected retirees under the assumed rates of retirement employed in the latest actuarial valuation. In addition, observed experience indicates that employees are working longer, in some cases several years beyond the normal retirement age of 62 for employees with less than twenty (20) years of completed service.

The current and proposed retirement rates are shown in the following table. Please note that 35% of employees are assumed to enter the DROP in the first year in which they attain eligibility (earlier of (a) age 62 or (b) age 55 with 20 years of service). Therefore, a retirement rate of 35% is the floor at the age at which DROP eligibility is first reached.

<b>RETIREMENT RATES</b>			
<b>Age</b>	<b>Expected Current</b>	<b>Expected Proposed</b>	
		<b>&lt;20 years</b>	<b>20+ years</b>
< 55	2%	N/A	8%
55	15%	5%	40%
56 - 59	10%	5%	20%
60	10%	5%	15%
61	20%	25%	15%
62	30%	35%	35%
63 - 64	15%	20%	20%
65	20%	50%	100%
66 - 69	20%	20%	100%
70 - 74	100%	35%	100%
75 & Over	100%	100%	100%

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

**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Withdrawal*

Observed terminations of employment exceeded expected terminations of employment for males and were lower than expected for females during the first four (4) years of service. Following four (4) years of service, overall observed terminations of employment were higher than expected for both males and females. Therefore, we propose to continue the use of sex distinct select and ultimate tables. These proposed rates are generally higher *select* rates of termination of employment for males and lower *select* rates of termination of employment for females applied during members' first four years of service, and generally higher *ultimate* rates thereafter when compared to the current withdrawal assumption set.

<b>WITHDRAWAL RATES (Males Only)</b>				
<b>Ages</b>	<b>Current Rates</b>		<b>Proposed Rates</b>	
	<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>	<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>
Under 25	8.00%	8.00%	12.00%	8.00%
25	8.00%	8.00%	12.00%	7.90%
26	8.00%	8.00%	12.00%	7.80%
27	8.00%	8.00%	12.00%	7.70%
28	8.00%	7.70%	12.00%	7.60%
29	8.00%	7.30%	12.00%	7.60%
30	8.00%	6.90%	12.00%	7.60%
31	8.00%	6.50%	12.00%	7.60%
32	8.00%	6.10%	12.00%	7.60%
33	8.00%	5.80%	12.00%	7.60%
34	8.00%	5.50%	12.00%	7.60%
35	8.00%	5.20%	12.00%	7.40%
36	8.00%	4.90%	12.00%	7.20%
37	8.00%	4.60%	12.00%	7.00%
38	8.00%	4.30%	12.00%	6.60%
39	8.00%	4.10%	12.00%	6.00%
40	8.00%	3.90%	12.00%	5.40%
41	8.00%	3.70%	12.00%	4.20%
42	8.00%	3.50%	12.00%	3.00%
43	8.00%	3.30%	12.00%	3.00%
44	8.00%	3.10%	12.00%	3.00%
45	8.00%	2.90%	12.00%	3.00%
46	8.00%	2.70%	12.00%	3.00%
47	8.00%	2.50%	12.00%	3.00%
48	8.00%	2.30%	12.00%	3.00%
49	8.00%	2.10%	12.00%	3.00%
50	8.00%	1.90%	12.00%	3.00%
51	8.00%	1.70%	12.00%	3.00%
52	8.00%	1.30%	12.00%	3.00%
53	8.00%	1.10%	12.00%	3.00%
54	8.00%	0.90%	12.00%	3.00%
55	8.00%	0.70%	12.00%	3.00%
56	8.00%	0.50%	12.00%	3.00%
57	8.00%	0.50%	12.00%	3.00%
58	8.00%	0.50%	12.00%	3.00%
59 & After	0.00%	0.00%	12.00%	3.00%

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

**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Withdrawal (continued)*

<b>WITHDRAWAL RATES (Females Only)</b>				
<b>Ages</b>	<b>Current Rates</b>		<b>Proposed Rates</b>	
	<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>	<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>
25 & Under	17.00%	10.00%	12.00%	12.00%
26	17.00%	9.50%	12.00%	12.00%
27	17.00%	9.00%	11.50%	11.50%
28	17.00%	8.50%	11.00%	11.00%
29	17.00%	8.00%	10.50%	10.50%
30	17.00%	8.00%	10.00%	10.00%
31	17.00%	8.00%	9.50%	9.50%
32	17.00%	8.00%	9.00%	9.00%
33	17.00%	8.00%	8.50%	8.50%
34	17.00%	8.00%	8.00%	8.00%
35	17.00%	8.00%	8.00%	7.90%
36	17.00%	8.00%	8.00%	7.80%
37	17.00%	8.00%	8.00%	7.70%
38	17.00%	8.00%	8.00%	7.60%
39	17.00%	7.50%	8.00%	7.50%
40	7.00%	7.00%	8.00%	7.40%
41	6.50%	6.50%	8.00%	7.30%
42	6.00%	6.00%	8.00%	7.20%
43	5.50%	5.50%	8.00%	7.20%
44	5.50%	5.50%	8.00%	7.20%
45	5.50%	5.50%	8.00%	7.10%
46	5.50%	5.50%	8.00%	7.00%
47	5.50%	5.50%	8.00%	6.90%
48	5.00%	5.00%	8.00%	6.70%
49	4.00%	4.00%	8.00%	6.50%
50	3.00%	3.00%	8.00%	6.00%
51	2.00%	2.00%	8.00%	5.50%
52	1.00%	1.00%	8.00%	5.00%
53	1.00%	1.00%	8.00%	5.00%
54	1.00%	1.00%	8.00%	5.00%
55	1.00%	1.00%	8.00%	8.00%
56	1.00%	1.00%	8.00%	8.00%
57	1.00%	1.00%	8.00%	8.00%
58	1.00%	1.00%	8.00%	8.00%
59	0.00%	0.00%	8.00%	8.00%

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

**EXPERIENCE INVESTIGATION RESULTS**

*Investment Return and Wage Growth*

Economic assumptions include **long-term rates of investment return** (net after investment expenses) and **wage inflation** (the across-the-board portion of salary increases). Unlike demographic activities, economic activities do not lend themselves to analysis solely on the basis of internal historical patterns because both salary increases and investment return are more affected by external forces; namely inflation (both wage and price), general productivity changes and the local economic environment which defy accurate long-term prediction. Estimates of economic activities are generally selected on the basis of the expectations in an inflation-free environment and then both are increased by some provision for long-term inflation.

If wage inflation and/or productivity increases are higher than expected, it would be expected to result in both actual rates of salary increases and investment return which exceed the assumed rates. Salaries increasing faster than expected produce liabilities losses. Investment return exceeding the assumed rates (whether due to manager performance, change in the mix of assets, or general market conditions) results in asset gains. To the extent that inflation, productivity, and other factors have about the same effect on both sides of the balance sheet, these asset gains and liabilities losses can offset one another over the long-term.

**Wage Inflation.** The average rate of increase in National Average Earnings over the 50 years ending December 31, 2009 is higher than the current 4.5% assumption (see schedule on page 10). The difference between the long-term averages and more recent experience is related to the excess rates of price and wage inflation during the 1970s - most do not expect to see this phenomenon repeated. When the decade of high inflation is factored out, long term national averages are between 4.0% and 4.5%.

**Investment Return and Spread.** The current asset portfolio for the retirement program is a diversified mix of equity and fixed income investments. Real market returns (the spread between recognized net investment return and wage inflation) for balanced portfolios have averaged 3.2% over the last 50 years (see schedule on page 10). Only hindsight will tell whether a particular combination of economic assumptions is optimal. If future economic patterns are as favorable as in the 1980's and 1990's, this spread would prove to be conservative. If, on the other hand, the investment markets produce lower real returns, contribution rate increases will become likely at some future date.

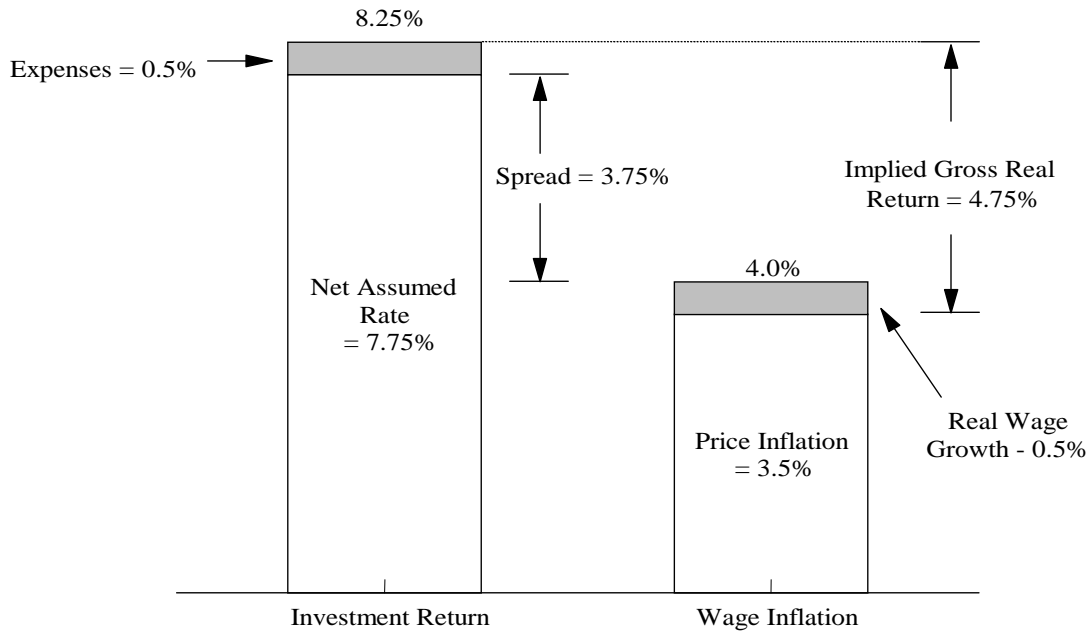
**RETIREMENT PLAN FOR GENERAL  
EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH**

**EXPERIENCE INVESTIGATION RESULTS**

*Investment Return and Wage Growth*

The current real return assumption for the pension valuation is 3.75% (8.25% nominal less a 4.50% wage inflation). While we believe the real return assumption of 3.75% is reasonable, the component pieces would be considered by most observers applying current standards to be somewhat on the aggressive side of an acceptable range for a program with the equity exposure of North Miami Beach. We are proposing the same 3.75% real return assumption (with revised component pieces of a 7.75% nominal rate less a 4.00% wage inflation), net of expenses.

An example relationship between economic assumptions based on a 3.75% spread (7.75% net investment return and 4.00% wage growth) is illustrated below:



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

**EXPERIENCE INVESTIGATION RESULTS**

*Investment Return and Wage Growth*

**HISTORICAL PATTERNS OF INVESTMENT RETURN, PAY INCREASES & INFLATION**

Calendar Year Period	Gross Market Returns			Stocks (S&P 500)	Price Inflation (CPI)	National Average Earnings	Sample Balanced Fund*	
	Bonds (Long)		Cash Equiv. (T Bills)				Total Return (I)	Spread: I-NAE-e
	U.S. Treasury	Corp. (20yr AA)						
1960-1969	1.4%	1.7%	3.9%	7.8%	2.5%	4.3%	5.3%	0.5%
1970-1979	5.5%	6.2%	6.3%	5.9%	7.4%	6.9%	6.0%	-1.4%
1980-1989	12.6%	13.0%	8.9%	17.5%	5.1%	5.8%	15.5%	9.2%
1990-1999	8.8%	8.4%	4.9%	18.2%	2.9%	4.2%	14.1%	9.4%
2000-2009	7.7%	7.6%	2.8%	-0.9%	2.5%	2.9%	2.5%	-0.9%
<b>Last 20 Years</b>	<b>8.2%</b>	<b>8.0%</b>	<b>3.8%</b>	<b>8.2%</b>	<b>2.7%</b>	<b>3.5%</b>	<b>8.1%</b>	<b>4.1%</b>
<b>Last 30 Years</b>	<b>9.7%</b>	<b>9.6%</b>	<b>5.5%</b>	<b>11.2%</b>	<b>3.5%</b>	<b>4.3%</b>	<b>10.5%</b>	<b>5.8%</b>
<b>Last 50 Years</b>	<b>7.1%</b>	<b>7.3%</b>	<b>5.3%</b>	<b>9.4%</b>	<b>4.1%</b>	<b>4.8%</b>	<b>8.6%</b>	<b>3.2%</b>

<b>* Sample Balanced Fund</b>	
Equities	59%
Bonds - Government	9%
- Corporate	29%
Cash Equivalents	3%
Total	100%
Fund expenses(e) <sup>@</sup>	0.5%

<sup>@</sup> Generally includes administrative, manager fees and transaction costs.



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

**EXPERIENCE INVESTIGATION RESULTS**

*Investment Return and Wage Growth*

**INVESTMENT RETURN EXPERIENCE FOR NORTH MIAMI BEACH**

This Table sets forth the results of an analysis made of investment yields on the assets held under the Retirement Plan for General Employees of the City of North Miami Beach. The basic sources for this analysis were the Statements produced by the City.

<b>Year Ending</b>	<b>Assumed Investment Yield</b>	<b>Actual Market Value Yield <sup>1</sup></b>
9/30/2011	8.25%	0.08%
9/30/2010	8.25%	10.28%
9/30/2009	8.25%	5.29%
9/30/2008	8.50%	(13.8%)
9/30/2007	8.50%	13.6%
9/30/2006	8.50%	7.2%
9/30/2005	8.50%	10.4%
9/30/2004	8.50%	7.0%
9/30/2003	8.50%	13.3%
9/30/2002	8.50%	(9.0%)
Last 3 Years	8.25%	5.13%
Last 5 Years	8.35%	2.6%
Last 10 Years	8.42%	4.0%
<sup>1</sup> Yield calculated as $2I/(A+B-I)$		

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

**APPENDIX  
TABLE I**

**COMPARISON OF ACTUAL AND EXPECTED  
ANNUAL MEMBER SALARIES**

<b>ANNUAL SALARY INCREASES By Attained Age (For Informational Purposes only)</b>					
<b>Age</b>	<b>Prior Year</b>	<b>Expected</b>	<b>% Incr</b>	<b>Actual</b>	<b>% Incr</b>
Under 25	\$125,119	\$134,503	7.50%	\$153,203	22.45%
25 - 29	2,487,563	2,659,280	6.90%	2,735,086	9.95%
30 - 34	4,604,334	4,913,725	6.72%	4,870,356	5.78%
35 - 39	4,734,578	5,036,508	6.38%	5,023,197	6.10%
40 - 44	7,339,481	7,794,888	6.20%	7,643,158	4.14%
45 - 49	10,672,235	11,300,639	5.89%	11,108,141	4.08%
50 - 54	9,590,546	10,143,132	5.76%	9,975,790	4.02%
55 or older	13,344,076	14,149,674	6.04%	13,928,839	4.38%
<b>Total</b>	<b>52,897,932</b>	<b>56,132,349</b>	<b>6.11%</b>	<b>55,437,770</b>	<b>4.80%</b>

<b>ANNUAL SALARY INCREASES By Years of Service</b>						
<b>Years of Svc</b>	<b>Prior Year</b>	<b>Expected</b>	<b>% Incr</b>	<b>Actual</b>	<b>% Incr</b>	<b>Proposed</b>
Under 6	\$6,930,937	\$7,450,756	7.50%	\$7,516,510	8.45%	<b>8.00%</b>
6 - 10	19,522,458	20,791,418	6.50%	20,478,686	4.90%	<b>5.50%</b>
11 - 14	12,341,092	13,081,558	6.00%	12,829,763	3.96%	<b>4.50%</b>
15 & After	14,103,445	14,808,617	5.00%	14,612,811	3.61%	<b>4.25%</b>
<b>Total</b>	<b>52,897,932</b>	<b>56,132,349</b>	<b>6.11%</b>	<b>55,437,770</b>	<b>4.80%</b>	<b>5.26%</b>

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

**APPENDIX  
TABLE II**

**COMPARISON OF ACTUAL AND EXPECTED RETIREMENTS  
(INCLUDES DROPS)**

<b>RETIREMENT EXPERIENCE (less than 20 years of service)</b>						
<b>Age</b>	<b>Exposure</b>	<b>Current Assumption *</b>	<b>Expected Retirements</b>	<b>Actual Retirements</b>	<b>Actual Rates</b>	<b>Proposed Assumption</b>
55	3	15%	0.5	0	0.0%	<b>5%</b>
56 - 59	18	10%	1.8	1	5.6%	<b>5%</b>
60	5	10%	0.5	0	0.0%	<b>5%</b>
61	6	20%	1.2	3	50.0%	<b>25%</b>
62	15	35%	5.3	1	6.7%	<b>35%</b>
63 - 64	30	15%	4.5	7	23.3%	<b>20%</b>
65	12	20%	2.4	8	66.7%	<b>50%</b>
66 - 69	16	20%	3.2	3	18.8%	<b>20%</b>
70 - 74	12	100%	12.0	4	33.3%	<b>35%</b>
75 & Over	7	100%	7.0	2	28.6%	<b>100%</b>
<b>Total</b>	<b>124</b>	<b>31.0%</b>	<b>38.4</b>	<b>29</b>	<b>23.4%</b>	<b>27.8%</b>
<b>RETIREMENT EXPERIENCE (20 or more years of service)</b>						
<b>Age</b>	<b>Exposure</b>	<b>Current Assumption *</b>	<b>Expected Retirements</b>	<b>Actual Retirements</b>	<b>Actual Rates</b>	<b>Proposed Assumption</b>
< 55	122	2%	2.4	10	8.2%	<b>8%</b>
55	11	15%	2.0	6	54.5%	<b>40%</b>
56 - 59	35	10%	4.5	10	28.6%	<b>20%</b>
60	8	10%	0.8	2	25.0%	<b>15%</b>
61	7	20%	1.4	1	14.3%	<b>15%</b>
62	5	30%	1.5	2	40.0%	<b>35%</b>
63 - 64	9	15%	1.4	2	22.2%	<b>20%</b>
65	2	20%	0.4	2	100.0%	<b>100%</b>
66 - 69	1	20%	0.2	1	100.0%	<b>100%</b>
70 - 74	0	100%	0.0	0	N/A	<b>100%</b>
75 & Over	0	100%	0.0	0	N/A	<b>100%</b>
<b>Total</b>	<b>200</b>	<b>7.3%</b>	<b>14.6</b>	<b>36</b>	<b>18.0%</b>	<b>14.7%</b>

\* - 35% of employees enter the DROP when first eligible

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

**APPENDIX  
TABLE III**

***COMPARISON OF ACTUAL AND EXPECTED  
TERMINATIONS***

<b>SELECT WITHDRAWAL EXPERIENCE (FIRST 4 YEARS)</b>				
<b>(Males Only)</b>				
<b>Age</b>	<b>Exposure</b>	<b>Expected Withdrawals</b>	<b>Actual Withdrawals</b>	<b>Expected Withdrawals (with Proposed Rates)</b>
< 30	10	0.8	2	1.2
30 - 34	11	0.9	2	1.3
35 - 39	6	0.5	1	0.7
40 - 44	11	0.9	1	1.3
45 - 49	7	0.6	1	0.8
50 - 54	5	0.4	1	0.6
55 & Up	6	0.3	0	0.7
<b>Total</b>	<b>56</b>	<b>4.4</b>	<b>8</b>	<b>6.6</b>

<b>ULTIMATE WITHDRAWAL EXPERIENCE (4+ YRS OF SERVICE)</b>				
<b>(Male Only)</b>				
<b>Age</b>	<b>Exposure</b>	<b>Expected Withdrawals</b>	<b>Actual Withdrawals</b>	<b>Expected Withdrawals (with Proposed Rates)</b>
< 30	46	3.6	2	3.5
30 - 34	80	4.8	9	6.1
35 - 39	90	4.3	8	6.3
40 - 44	91	3.2	2	3.3
45 - 49	146	3.6	5	4.4
50 - 54	153	2.2	6	4.6
55 & Up	175	0.6	8	5.2
<b>Total</b>	<b>781</b>	<b>22.3</b>	<b>40</b>	<b>33.4</b>

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

**APPENDIX  
TABLE III**

***COMPARISON OF ACTUAL AND EXPECTED  
TERMINATIONS (CONTINUED)***

<b>SELECT WITHDRAWAL EXPERIENCE (FIRST 4 YEARS) (Female Only)</b>				
<b>Age</b>	<b>Exposure</b>	<b>Expected Withdrawals</b>	<b>Actual Withdrawals</b>	<b>Expected Withdrawals (with Proposed Rates)</b>
< 30	12	2.0	1	<b>1.4</b>
30 - 34	6	1.0	0	<b>0.6</b>
35 - 39	9	1.5	0	<b>0.7</b>
40 - 44	1	0.1	0	<b>0.1</b>
45 - 49	9	0.5	1	<b>0.7</b>
50 - 54	4	0.1	0	<b>0.3</b>
55 & Up	2	0.0	1	<b>0.2</b>
<b>Total</b>	<b>43</b>	<b>5.2</b>	<b>3</b>	<b>4.0</b>

<b>ULTIMATE WITHDRAWAL EXPERIENCE (4+ YRS OF SERVICE) (Female Only)</b>				
<b>Age</b>	<b>Exposure</b>	<b>Expected Withdrawals</b>	<b>Actual Withdrawals</b>	<b>Expected Withdrawals (with Proposed Rates)</b>
< 30	24	2.1	3	<b>2.7</b>
30 - 34	40	3.2	4	<b>3.6</b>
35 - 39	40	3.2	2	<b>3.1</b>
40 - 44	64	3.9	5	<b>4.6</b>
45 - 49	56	2.9	4	<b>3.8</b>
50 - 54	36	0.6	2	<b>1.9</b>
55 & Up	58	0.2	8	<b>4.6</b>
<b>Total</b>	<b>318</b>	<b>16.1</b>	<b>28</b>	<b>24.3</b>

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

## APPENDIX

### Purpose of the Actuarial Valuation

In a defined benefit pension plan, an employer makes a promise to its employees of a lifetime pension. The amount of the monthly pension is determined by a *benefit formula* which is often based upon a multiplier percentage and the number of years of service and the average final earnings of the employee.

The employer must design and follow a systematic plan for advance-funding this obligation. That is accomplished by establishing a pension fund and performing annual actuarial valuations to measure the liabilities associated with the obligation and to calculate how much the employer must contribute to the pension fund in order to make good on its promise.

The calculations in the actuarial valuation are performed each year to re-measure the liabilities. The stakeholders need to know how the plan is doing in its goal of systematically financing the promised benefits. So it is important to make the actuarial calculations in accordance with the professional actuarial standards of practice and the accounting standards.

### Role of Actuarial Assumptions

The nature of the pension promise and its systematic funding require long term projections of the employee workforce (using demographic assumptions) and long term projections of the salaries and investment returns (using economic assumptions). The entire actuarial valuation process depends on the selection and use of reasonable actuarial assumptions as to future demographics and future economics. There are many different actuarial assumptions employed in an actuarial valuation. The primary actuarial assumptions include:

1. Rates of Salary Increases
2. Rates of Termination of Employment
3. Rates of Mortality
4. Rates of Retirement
5. Rates of Investment Return

The actuary and plan management must be comfortable with the actuarial assumptions. The assumptions must be reasonable. Without a level of confidence in the reasonableness of the actuarial assumptions, the stakeholders and users of the valuation results cannot have confidence in the results. However, there is no way to have confidence in the actuarial assumptions unless an actuarial experience study is performed to assess the reasonableness of the current assumptions or to change them to be more in line with past experience and with future expectations.

For this reason the Board has requested that we undertake an actuarial experience study to recommend changes to the actuarial assumptions used in the annual actuarial valuation.