

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

*EXPERIENCE INVESTIGATION FOR THE SIX YEARS ENDED SEPTEMBER 30, 2007*

**May 8, 2008**

May 8, 2008

Retirement Committee  
c/o Mr. Martin Lebowitz  
Administrator  
City of North Miami Beach  
17011 N.E. 19th Avenue  
North Miami Beach, FL 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 six-year period from October 1, 2001 through September 30, 2007. Based upon the results, certain changes in actuarial assumptions for valuation purposes are recommended.

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, 2007 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.

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 six-year period (October 1, 2001 to September 30, 2007) 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 (\$13,111,784) are summarized below. (Note: the amortization period for the change in actuarial accrued liability resulting from the assumption changes is 30 years.)

- Update future salary increase assumptions to a service based table to better reflect observed higher salary increases for shorter service members, accompanied by observed lower salary increase assumption in later years.

<b>Cost</b>
(0.19%)

- Update assumed rates of future employment termination based on actual experience, including the addition of a four-year select period (to reflect higher observed withdrawal experience during the first four years of employment).

<b>Cost</b>
(0.04%)

- Update assumed rates of future retirement to reflect lower observed retirement experience and trend for members to continue in employment beyond normal retirement age.

<b>Cost</b>
(2.33%)

- Update assumed healthy mortality and impaired (disabled) mortality rates to rates from a more recent published healthy mortality table (RP-2000 - full generational mortality).

<b>Cost</b>
+ 2.76%

**RETIREMENT PLAN FOR GENERAL  
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**EXPERIENCE INVESTIGATION**

**SUMMARY OF FINDINGS (Continued)**

- Consider lowering the assumed investment return rate from 8.50% to 8.25%.

<b>Cost</b>
+ 1.51%

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

<b>Cost</b>
(0.01%)

- Combined effect of all assumption changes, INCLUDING the above change in assumed investment return.

<b>Cost</b>
+ 1.62%

**RETIREMENT PLAN FOR GENERAL  
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**EXPERIENCE INVESTIGATION RESULTS**

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

**Methodology**

The expected salaries at the end of each year were obtained by use of the salary scale assumption (5.5%) used in the most recent 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 most recent actuarial valuation. The actual number of separations and retirees were tabulated and compared with those expected.

The published mortality table used as the basis for the rates of mortality used in the most recent actuarial valuation (1983 Group Annuity Mortality Table) was reviewed in connection with the latest published tables to determine the continued adequacy of the current mortality assumptions.

**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 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).

We propose the total rate of salary increase with components as follows.

<b>SALARY INCREASES</b>						
<b>Years of Service</b>	<b>Current Salary Schedule</b>			<b>Proposed Salary Schedule</b>		
	<b>Assumed Wage Inflation</b>	<b>Promotion &amp; Seniority</b>	<b>Total Current Rates</b>	<b>Assumed Wage Inflation</b>	<b>Promotion &amp; Seniority</b>	<b>Total Proposed Rates</b>
< 6	4.50%	1.00%	5.50%	4.50%	3.00%	7.50%
6 - 10	4.50%	1.00%	5.50%	4.50%	1.75%	6.25%
11 - 14	4.50%	1.00%	5.50%	4.50%	1.50%	6.00%
15 & after	4.50%	1.00%	5.50%	4.50%	0.25%	4.75%

**RETIREMENT PLAN FOR GENERAL  
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**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Retirement*

The actual number of retirements observed was lower 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. 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>
< 55	0%	2%
55	25%	15%
56 - 59	10%	10%
60	20%	10%
61	20%	20%
62	100%	30%
63 - 64	100%	15%
65 - 69	100%	20%
70 & Over	100%	100%

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

**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Mortality*

We propose that the assumed healthy mortality rates currently based upon the rates from the 1983 Group Annuity Mortality Table with separate rates for males and females be updated with the assumed mortality rates based upon the rates from the RP 2000 Mortality Table, with separate rates for males and females, projected with full generational mortality improvements.

<b>LIFE EXPECTANCY COMPARISON (Healthy Mortality)</b>				
<b>Age Now</b>	<b>1983 GAM</b>		<b>RP 2000 *</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
40	78.5	84.5	84.1	85.4
45	78.7	84.7	83.9	85.3
50	79.2	84.9	83.7	85.3
55	79.8	85.2	83.6	85.3
60	80.6	85.7	83.7	85.6
65	81.7	86.3	84.1	86.1

We propose that the assumed impaired (disabled) mortality rates currently based upon the rates from the 1985 Pension Disability Table with separate rates for males and females be updated with the assumed mortality rates based upon the rates from the RP 2000 Disabled Mortality Table with separate rates for males and females, projected with full generational mortality improvements.

<b>LIFE EXPECTANCY COMPARISON (Impaired Mortality)</b>				
<b>Age Now</b>	<b>1985 Pen. Dis.</b>		<b>RP 2000 Dis *</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
40	58.1	62.9	68.3	75.7
45	60.7	65.8	70.1	76.3
50	63.6	68.9	71.8	77.0
55	66.8	72.1	73.7	78.2
60	70.3	75.3	75.9	79.8
65	74.0	78.4	78.4	81.7

\* With full generational mortality improvements.

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

**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Withdrawal*

Observed termination of employment experience exceeded expected terminations of employment during the first four (4) years of service. Following four (4) years of service, overall observed terminations of employment were lower than expected. Therefore, we propose the use of select and ultimate tables for males and females, with generally higher *select* rates of termination of employment applied during members' first four years of service, and generally lower *ultimate* rates thereafter.

<b>WITHDRAWAL RATES (Males Only)</b>			
<b>Age</b>	<b>Current Expected</b>	<b>Proposed Rates</b>	
		<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>
20	22.44%	8.00%	8.00%
21	20.94%	8.00%	8.00%
22	19.44%	8.00%	8.00%
23	17.94%	8.00%	8.00%
24	16.43%	8.00%	8.00%
25	14.93%	8.00%	8.00%
26	14.03%	8.00%	8.00%
27	13.12%	8.00%	8.00%
28	12.22%	8.00%	7.70%
29	11.31%	8.00%	7.30%
30	10.41%	8.00%	6.90%
31	9.80%	8.00%	6.50%
32	9.20%	8.00%	6.10%
33	8.59%	8.00%	5.80%
34	7.98%	8.00%	5.50%
35	7.37%	8.00%	5.20%
36	6.76%	8.00%	4.90%
37	6.15%	8.00%	4.60%
38	5.54%	8.00%	4.30%
39	4.93%	8.00%	4.10%
40	4.31%	8.00%	3.90%
41	4.00%	8.00%	3.70%
42	3.67%	8.00%	3.50%
43	3.34%	8.00%	3.30%
44	3.01%	8.00%	3.10%
45	2.67%	8.00%	2.90%
46	2.32%	8.00%	2.70%
47	1.97%	8.00%	2.50%
48	1.62%	8.00%	2.30%
49	1.26%	8.00%	2.10%
50	0.90%	8.00%	1.90%
51	0.53%	8.00%	1.70%
52	0.16%	8.00%	1.30%
53	0.00%	8.00%	1.10%
54	0.00%	8.00%	0.90%
55	0.00%	8.00%	0.70%
56 - 58	0.00%	8.00%	0.50%
59 & After	0.00%	0.00%	0.00%

**RETIREMENT PLAN FOR GENERAL  
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**EXPERIENCE INVESTIGATION RESULTS**

*Rates of Withdrawal (Continued)*

<b>WITHDRAWAL RATES (Females Only)</b>			
<b>Age</b>	<b>Current Expected</b>	<b>Proposed Rates</b>	
		<b>Select Rates (First 4 Years)</b>	<b>Ultimate Rates (4+ Years)</b>
20	37.45%	17.00%	10.00%
21	34.45%	17.00%	10.00%
22	31.45%	17.00%	10.00%
23	28.45%	17.00%	10.00%
24	25.44%	17.00%	10.00%
25	22.44%	17.00%	10.00%
26	20.94%	17.00%	9.50%
27	19.44%	17.00%	9.00%
28	17.94%	17.00%	8.50%
29	16.43%	17.00%	8.00%
30	14.93%	17.00%	8.00%
31	14.03%	17.00%	8.00%
32	13.12%	17.00%	8.00%
33	12.22%	17.00%	8.00%
34	11.31%	17.00%	8.00%
35	10.41%	17.00%	8.00%
36	9.80%	17.00%	8.00%
37	9.20%	17.00%	8.00%
38	8.59%	17.00%	8.00%
39	7.98%	17.00%	7.50%
40	7.37%	7.00%	7.00%
41	6.76%	6.50%	6.50%
42	6.15%	6.00%	6.00%
43	5.54%	5.50%	5.50%
44	4.93%	5.50%	5.50%
45	4.31%	5.50%	5.50%
46	4.00%	5.50%	5.50%
47	3.67%	5.50%	5.50%
48	3.34%	5.00%	5.00%
49	3.01%	4.00%	4.00%
50	2.67%	3.00%	3.00%
51	2.32%	2.00%	2.00%
52	1.97%	1.00%	1.00%
53	1.62%	1.00%	1.00%
54	1.26%	1.00%	1.00%
55	0.90%	1.00%	1.00%
56-58	0.53%	1.00%	1.00%
59 & After	0.00%	0.00%	0.00%

**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 will probably result in both actual rates of salary increases and investment return which exceed the assumed rates. Salaries increasing faster than expected produce unexpected liabilities. Investment return exceeding the assumed rates (whether due to manager performance, change in the mix of assets, or general market conditions) results in unanticipated assets. To the extent that inflation, productivity, and other factors have about the same effect on both sides of the balance sheet, these additional assets and liabilities 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, 2005 is higher than the current 4.5% assumption (see schedule on page 11). 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, which most observers do not expect to see repeated. When the decade of high inflation is factored out, long term national averages are just under 4.5%.

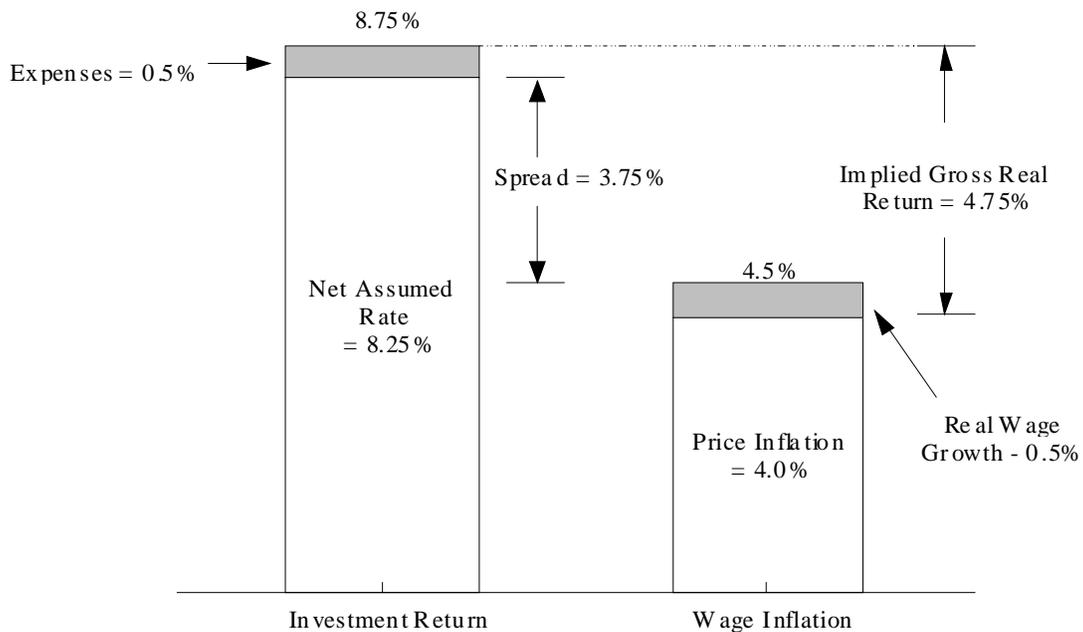
**Investment Return and Spread.** The current asset portfolio for the retirement program is a diversified mix of equity and fixed income investments. Real market returns (the spread between recognized net investment return and wage inflation) for balanced portfolios have averaged 3.9% over the last 50 years (see schedule on page 8). 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 4.00% (8.5% nominal less 4.50% wage inflation). This combination of assumptions 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 a change to a 3.75% real return assumption (an 8.25% nominal rate less 4.50% wage inflation), net of expenses.

An example relationship between economic assumptions based on a 3.75% spread (8.25% net investment return and 4.50% wage growth) is illustrated below:



**RETIREMENT PLAN FOR GENERAL  
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**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. (S&P AA)						
1956-1965	1.9%	2.6%	2.8%	11.1%	1.7%	3.5%	7.9%	3.9%
1966-1975	3.0%	3.6%	5.6%	3.3%	5.7%	6.4%	3.8%	-3.1%
1976-1985	9.0%	9.8%	9.0%	14.3%	7.0%	6.9%	12.6%	5.2%
1986-1995	11.9%	11.3%	5.6%	14.8%	3.5%	3.9%	13.4%	9.0%
1996-2005	7.6%	7.5%	3.6%	9.1%	2.5%	4.1%	8.9%	4.3%
<b>Last 50 Years</b>	<b>6.6%</b>	<b>6.9%</b>	<b>5.3%</b>	<b>10.4%</b>	<b>4.1%</b>	<b>4.9%</b>	<b>9.3%</b>	<b>3.9%</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.

Year Ending	Assumed Investment Yield	Actual Market Value Yield <sup>1</sup>
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%)
9/30/2001	8.50%	(13.6%)
9/30/2000	9.00%	9.8%
9/30/1999	7.50%	13.7%
9/30/1998	7.50%	9.3%
Last 3 Years	8.50%	10.4%
Last 5 Years	8.50%	10.3%
Last 10 Years	8.30%	5.7%
<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 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	\$15,209,617	\$16,046,146	5.50%	\$16,352,282	7.51%	<b>7.50%</b>
6 - 11	19,346,146	20,410,184	5.50%	20,589,687	6.43%	<b>6.25%</b>
11 - 15	6,931,074	7,312,283	5.50%	7,348,988	6.03%	<b>6.00%</b>
15 & After	15,923,541	16,799,336	5.50%	16,698,172	4.86%	<b>4.75%</b>
<b>Total</b>	<b>57,410,378</b>	<b>60,567,949</b>	<b>5.50%</b>	<b>60,989,129</b>	<b>6.23%</b>	<b>6.13%</b>

<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	\$464,126	\$489,653	5.50%	\$534,468	15.16%
25 - 29	2,555,788	2,696,356	5.50%	2,860,812	11.93%
30 - 34	4,865,006	5,132,581	5.50%	5,198,348	6.85%
35 - 39	6,434,212	6,788,094	5.50%	6,920,292	7.55%
40 - 44	9,634,905	10,164,825	5.50%	10,191,431	5.78%
45 - 49	10,887,101	11,485,892	5.50%	11,453,054	5.20%
50 - 54	10,582,243	11,164,266	5.50%	11,217,675	6.00%
55 or older	11,986,997	12,646,282	5.50%	12,613,049	5.22%
<b>Total</b>	<b>57,410,378</b>	<b>60,567,949</b>	<b>5.50%</b>	<b>60,989,129</b>	<b>6.23%</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</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	157.0	0%	0.0	5	3.2%	<b>2%</b>
55	12.0	25%	3.0	2	16.7%	<b>15%</b>
56 - 59	56.0	10%	6.5	4	7.1%	<b>10%</b>
60	15.0	20%	3.1	1	6.7%	<b>10%</b>
61	10.0	20%	2.0	3	30.0%	<b>20%</b>
62	17.0	100%	17.0	5	29.4%	<b>30%</b>
63 - 64	35.0	100%	35.0	6	17.1%	<b>15%</b>
65 - 69	39.0	100%	39.0	6	15.4%	<b>20%</b>
70 & Over	25.0	100%	25.0	5	20.0%	<b>100%</b>
<b>Total</b>	<b>366.0</b>	<b>35.7%</b>	<b>130.6</b>	<b>37</b>	<b>10.1%</b>	<b>15.6%</b>

**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	25	3.5	2	<b>2.0</b>
30 - 34	20	1.9	2	<b>1.6</b>
35 - 39	15	0.9	2	<b>1.2</b>
40 - 44	22	0.8	2	<b>1.8</b>
45 - 49	21	0.4	3	<b>1.7</b>
50 - 54	22	0.1	2	<b>1.7</b>
55 & Up	11	0.0	0	<b>0.7</b>
<b>Total</b>	<b>136</b>	<b>7.6</b>	<b>13</b>	<b>10.7</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	51	6.6	4	<b>3.9</b>
30 - 34	102	9.4	2	<b>6.3</b>
35 - 39	88	5.3	4	<b>4.0</b>
40 - 44	181	6.5	7	<b>6.3</b>
45 - 49	204	4.1	4	<b>5.2</b>
50 - 54	172	0.6	5	<b>2.4</b>
55 & Up	118	0.0	2	<b>0.4</b>
<b>Total</b>	<b>916</b>	<b>32.5</b>	<b>28</b>	<b>28.5</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	10	2.1	1	1.7
30 - 34	14	1.8	3	2.4
35 - 39	19	1.8	5	3.2
40 - 44	8	0.5	0	0.5
45 - 49	3	0.1	0	0.2
50 - 54	4	0.1	0	0.0
55 & Up	6	0.0	0	0.0
<b>Total</b>	<b>64</b>	<b>6.3</b>	<b>9</b>	<b>8.0</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	34	7.5	3	3.2
30 - 34	43	5.6	2	3.4
35 - 39	76	7.0	6	6.0
40 - 44	66	4.2	4	4.1
45 - 49	57	2.1	3	2.9
50 - 54	57	1.1	1	0.9
55 & Up	93	0.3	1	0.7
<b>Total</b>	<b>426</b>	<b>27.6</b>	<b>20</b>	<b>21.2</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.