



August 30, 2013

Mr. Mac Serda
Assistant City Manager
City of North Miami Beach
17011 N.E. 19th Avenue
North Miami Beach, Florida 33162-3100

**Re: Retirement Plan for General Employees of the City of North Miami Beach
Actuarial Impact Statement**

Dear Mac:

As requested, we are pleased to enclose three (3) copies of an Actuarial Impact Statement as of October 1, 2012 for filing the proposed Ordinance (copy attached) under the Retirement Plan for General Employees of the City of North Miami Beach (Plan) with the State of Florida.

Background – Plan currently provides:

- Normal retirement eligibility upon the earlier of (1) attainment of age sixty-two (62) or (2) attainment of age fifty-five (55) with twenty (20) years of credited service.
- Benefit multiplier is three percent (3.00%) for each year of credited service.
- Plan participants are 100% vested upon completion of six (6) years of credited service.
- Maximum period of DROP participation is five (5) years.
- COLA adjustments are 2.25% per annum commencing October 1st following receipt of benefits for one (1) year.

Proposed Ordinance – Proposed Ordinance provides for the following changes for members who have not attained age sixty-two (62) or attained age fifty-five (55) with twenty (20) years of credited service as of the valuation date and are either (1) members of the AFSCME bargaining group or (2) not included in any bargaining unit:

- Normal retirement eligibility upon the earlier of (1) attainment of age sixty-two (62) with ten (10) years of credited service or (2) attainment of age sixty (60) with twenty-five (25) years of credited service (future accruals).
- Benefit multiplier is two and a half percent (2.50%) for each year of credited service (future accruals).
- Plan participants are 100% vested upon completion of ten (10) years of credited service (for currently non-vested members).
- Maximum period of DROP participation is thirty-six (36) months (future DROPs).

- COLA adjustments are 0.75% per annum commencing October 1st after three (3) years following termination of employment (2.5% accruals).

In addition, the proposed Ordinance:

- Provides for the Plan to be amended by Ordinance subject only to the applicable requirements of federal and state law.
- Eliminates the requirement of approval of 66 2/3% of the active participants in order to amend the Plan.
- Provides reports and recommendations from the City Manager, actuary and / or any other pension board or consultant may be considered but are not required before the City Council may amend the Plan.
- Removes language related to the prior Early Retirement Incentive Program.

Results – Based upon the results of our Actuarial Impact Statement, the proposed benefit provisions decrease the minimum annual required contribution by 6.9% of covered payroll (\$736,481). The figure in parentheses is the decrease in Plan cost expressed as a dollar amount based on projected covered annual payroll for fiscal year beginning October 1, 2013 (\$10,612,185).

Filing Requirements – We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note this Statement must be signed and dated on behalf of the Pension Board. Copies of the proposed Ordinance upon passage at first reading along with the signed and dated Actuarial Impact Statement should be filed with the State at the following addresses:

Mr. Douglas E. Beckendorf, A.S.A.
Bureau of Local Retirement Services
Division of Retirement
Building 8
Post Office Box 9000
Tallahassee, Florida 32315-9000

Please forward a copy of the Ordinance upon passage at second reading to update our files.

Actuarial Assumptions and Methods, Financial Data and Member Census Data – The COLA deferral for future benefits accruals has been updated. The actuarial value of assets has been marked to market value. The remaining actuarial assumptions and methods, financial data and Member census data utilized in this Actuarial Impact Statement are the same actuarial assumptions and methods, financial data and Member census data utilized in the October 1, 2012 Actuarial Valuation.

Plan provisions considered in this Actuarial Impact Statement are the same Plan provisions considered in the October 1, 2012 Actuarial Valuation with the exception of the proposed Ordinance changes described above.

This Actuarial Impact Statement is intended to describe the estimated future financial effects of the proposed benefit change on the Plan and is not intended as a recommendation in favor of the change nor in opposition to the change.

These calculations are based upon assumptions regarding future events. However, the Plan's long term costs will be determined by actual future events, which may differ materially from the assumptions made.

If you have reason to believe the assumptions used are unreasonable, the Plan provisions are incorrectly described or referenced, important Plan provisions relevant to this Actuarial Impact Statement are not described or that conditions have changed since the calculations were made, you should contact the undersigned prior to relying on information in this Actuarial Impact Statement. If you have reason to believe that the information provided in this Actuarial Impact Statement is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the undersigned prior to making such decision.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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 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 report 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 report in a manner other than the intended purpose may produce significantly different results.

This report 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 report 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 actuary is independent of the Plan sponsor.

Mr. Mac Serda
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The undersigned 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.

If you should have any question concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,

A handwritten signature in black ink that reads "L. F. Wilson". The signature is written in a cursive style with a large, stylized "W".

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

Enclosures

cc: Mr. Martin Lebowitz

AMENDED

ORDINANCE NO. 2013-15

AN ORDINANCE OF THE CITY OF NORTH MIAMI BEACH, FLORIDA, AMENDING THE RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH; AMENDING SECTION 1.05, AMENDMENT OF THE PLAN; AMENDING ARTICLE II, DEFINITIONS; AMENDING SECTION 6.01, NORMAL RETIREMENT; AMENDING SECTION 6.02, EARLY RETIREMENT AND RETIREMENT INCOME; AMENDING SECTION 6.04, BENEFITS OTHER THAN ON RETIREMENT; DELETING SECTION 6.12, EARLY RETIREMENT INCENTIVE; AMENDING SECTION 6.13, COST OF LIVING ADJUSTMENTS; AMENDING SECTION 6.14, DEFERRED RETIREMENT OPTION PLAN; PROVIDING FOR THE REPEAL OF ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HERewith; PROVIDING FOR SEVERABILITY; PROVIDING FOR THE CODIFICATION OF THIS ORDINANCE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of North Miami Beach has established and maintains a Retirement Plan and Trust for the General Employees of the City of North Miami Beach; and

WHEREAS, on July 29, 2013, the General Employees of AFSCME approved a collective bargaining agreement, by a vote of 103 to 30, which included amendments to the General Employees Pension Plan; and

WHEREAS, besides the amendments to the current General Employees Pension Plan, under Article 26 of the Collective Bargaining Agreement, the AFSCME union further agreed to remove that provision within the Plan which required that 66-2/3% of the active participants of the Plan approve any amendment of the Plan prior to the City Council making any amendments to the Plan; and

~~(1) Approval of Participants Approval of 66 2/3% of the active participants shall be required before the Plan may be amended by the City Council.~~

~~(A) Such consent shall not be required if such amendment pertains to the actuarial soundness of the Plan as determined by the actuary employed by the City Council in accordance with Section 5.06 or if such amendment shall be necessary to comply with any laws or regulations of the United States or of any State to qualify this as a tax exempt plan and trust.~~

(2) Report and Recommendation from City Manager and the actuary and/or any other pension board or consultant may be considered~~shall be required~~ before the Plan may be amended by the City Council.

(3) [No change]

(4) [No change]

(b) [No change]

Section 2. Article II of the Retirement Plan for General Employees of the City of North Miami Beach, entitled “Definitions”, is proposed to be amended as follows:

ARTICLE II DEFINITIONS

* * *

DROP Participant means a member of the Deferred Retirement Option Program. Upon the resignation of the Employee, after entering the DROP, or upon conclusion of the maximum DROP participation period specified in Section 6.14~~five years in the DROP~~, a person is no longer a DROP participant.

* * *

Normal Retirement Date shall have the same meaning as set forth in Section 6.01(b) means the first day of the month coincident with or next following the date a member attains the age of 62, or, effective July 1, 1998, completes 20 years of service after having reached the age of 55.

* * *

Section 3. Article VI, Section 6.01 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled “Normal Retirement”, is proposed to be amended as follows:

Section 6.01 NORMAL RETIREMENT

(a) Normal Retirement Defined - Normal retirement under the Plan is retirement from the service of the City on or after the normal retirement date.

(b) Normal Retirement Date

(1) The normal retirement date of each participant will be the first day of the month coincident with or next following the date he attains age 62, or, effective July 1, 1998, completes 20 years of service after having reached the age of 55. Notwithstanding the preceding sentence, the normal retirement date for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed and not participating in the DROP on September 30, 2013, and who on that date have not attained age 62 or age 55 with 20 or more years of credited service, shall be age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service. Participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed and not participating in the DROP on September 30, 2013, and who on that date have not attained age 62 or age 55 with 20 or more years of credited service,

may retire upon reaching age 62 or age 55 with 20 or more years of credited service and terminating City employment or entering the DROP, and upon such retirement shall be eligible to receive the benefit based on their credited service prior to October 1, 2013; and such participants shall be eligible to receive the benefit based on their credited service on and after October 1, 2013 upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service, and terminating City employment or entering the DROP. The normal retirement date for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit hired on or after October 1, 2013 shall be age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service.

(c) Amount of Retirement Income.

The monthly amount of retirement income payable to a participant who retires on or after his normal retirement date shall be an amount as follows:

(i) [No change]

(ii) [No change]

(iii) [No change]

(iv) For participants retiring after September 30, 1996 but before July 1, 1998: 2.50% (.0250) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(v) For participants retiring after July 1, 1998 but before August 24, 2000: 2.60% (.0260) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(vi) For participants retiring after August 24, 2000: 3.00% (.0300) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(vii) Notwithstanding paragraph (vi) above, for credited service earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit on and after October 1, 2013: 2.50% (.0250) of final monthly compensation multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on September 30, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% (.0300) of final monthly compensation multiplied by years and completed calendar months of credited service.

(d) Payment of Retirement Income - The monthly retirement income payable in the event of normal retirement will be payable on the first day of each month. The first payment will be made on the participant's normal retirement date (or on the first day of the month coincident with or next following his actual retirement, if later), except as otherwise provided in section 6.01(b)(1) . The last payment will be the payment due next preceding the retired participant's death. In the event the participant dies after his retirement but before he has received retirement income payments for a period of ten (10) years, the same monthly benefit will be paid for the remainder of such 10-year period to the beneficiary (or beneficiaries) designated by the participant; or, if no designated beneficiary is surviving, the same monthly benefit shall be payable for the remainder of such 10-year period as provided in Sections 7.02 (Beneficiaries) and 7.03 (Contingent Beneficiaries) hereof.

* * *

Section 4. Article VI, Section 6.02 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled “Early Retirement and Retirement Income”, is proposed to be amended as follows:

Section 6.02 EARLY RETIREMENT AND RETIREMENT INCOME

(a) [No change]

(b) Payment Governed By - In the event of early retirement, payment of retirement income will be governed by the following provisions:

(1) Early Retirement Date - The early retirement date will be the first day of the month coincident with or next following the date a participant retires from the service of the City under the provisions of this section, prior to his normal retirement date.

(2) Amount of Retirement Income.

The monthly amount of retirement income payable to a participant who retires prior to his normal retirement date under the provisions of this section shall be an amount as follows:

(i) [No change]

(ii) [No change]

(iii) [No change]

(iv) For participants retiring after September 30, 1996 but before July 1, 1998: 2.50% (.0250) of final monthly compensation, multiplied by years and completed calendar months of credited service. This amount is multiplied by the actuarial reduction factor to reflect the early retirement age.

(v) For participants retiring after July 1, 1998 but before August 24, 2000: 2.60%

(.0260) of final monthly compensation, multiplied by years and completed calendar months of credited service. This amount is multiplied by the actuarial reduction factor to reflect the early retirement age.

(vi) For participants retiring after August 24, 2000: 3.00% (.0300) of final monthly compensation, multiplied by years and completed calendar months of credited service. This amount is multiplied by the actuarial reduction factor to reflect the early retirement age.

(vii) Notwithstanding paragraph (vi) above, for credited service earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit on and after **October 1, 2013**: 2.50% (.0250) of final monthly compensation multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on **September 30, 2013** and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% (.0300) of final monthly compensation multiplied by years and completed calendar months of credited service. This amount is multiplied by the actuarial reduction factor to

(3) reflect the early retirement age.

[No change]

Section 5. Article VI, Section 6.04 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled “Benefits Other Than on Retirement”, is proposed to be amended as follows:

Section 6.04 BENEFITS OTHER THAN ON RETIREMENT

ORDINANCE NO. 2013-15

(a) Benefit on Termination of Service.

- (1) Deferred Payment of Benefits - In the event of the termination of a participant's service prior to his normal retirement date for any reason other than his death, early retirement (as described in Section 6.02) or disability retirement (as described in Section 6.03) after he has completed ten (10) years of credited service (hereafter referred to as a "terminated participant"), he will be entitled to a monthly retirement income. That monthly retirement income will be payable for 10 years certain and life thereafter and will commence on his normal retirement date (if he shall then be living) in an amount as follows, with such amount multiplied by the Vested Percentage described below.

Effective October 1, 2002, in the event of the termination of a participant's service prior to his normal retirement date for any reason other than his death, early retirement (as described in Section 6.02) or disability retirement (as described in Section 6.03) after he has completed six (6) years of credited service (hereafter referred to as a "terminated participant"), he will be entitled to a monthly retirement income. Notwithstanding the preceding sentence, effective October 1, 2013 for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit, in the event of the termination of such participant's service prior to the normal retirement date for any reason other than his death, early retirement (as described in Section 6.02) or disability retirement (as described in Section 6.03) after completion of ten (10) years of credited service (hereafter referred to as a "terminated

participant"), the participant will be entitled to a monthly retirement income.
That monthly retirement income will be payable for 10 years certain and life thereafter and will commence on his normal retirement date (if he shall then be living) in an amount as follows, with such amount multiplied by the Vested Percentage described below.

(i) [No change]

(ii) [No change]

(iii) [No change]

(iv) For participants terminating after September 30, 1996 but before July 1, 1998: 2.50% (.0250) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(v) For participants terminating after July 1, 1998 but before August 24, 2000: 2.60% (.0260) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(vi) For participants terminating after August 24, 2000: 3.00% (.0300) of final monthly compensation, multiplied by years and completed calendar months of credited service.

(vii) Notwithstanding paragraph (vi) above, for credited service earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit on and after **October 1, 2013**: 2.50% (.0250) of final monthly compensation multiplied by years and completed calendar months of credited service; provided, the monthly amount of

- retirement income payable to each such participant who is employed and not participating in the DROP on September 30, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% (.0300) of final monthly compensation multiplied by years and completed calendar months of credited service.
- (2)

Vesting.

(i) [No change]

(ii) [No change]

(iii) The vested percentage for participants who terminate on or after October 1, 2002 will be 0% for those with less than 6 years of credited service, and 100% for those with credited service of 6 years or more.

(iv) Notwithstanding paragraph (iii) above, the vested percentage for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed on September 30, 2013, have not attained 6 years of credited service on that date and terminate after that date will be 0% for those who terminate with less than 10 years of credited service, and 100% for those who terminate with credited service of 10 years or more. The vested percentage for such participants who are employed on September 30, 2013 and have attained 6 years of credited service on that date will be 100%. The vested percentage for participants hired on or after October 1, 2013 will be 0% for those who terminate with less than 10 years of credited service, and 100% for those who terminate with credited service of 10 years or

more.

- (3) [No change]
- (4) [No change]
- (5) [No change]
- (6) [No change]
- (7) [No change]
- (8) [No change]
- (9) [No change]
- (10) Termination Prior to Completion of 10 Years Credited Service for Certain Participants – Notwithstanding subsection (9) above and except as provided in Section 6.01 with respect to normal retirement, Section 6.03 with respect to disability retirement and Section 6.04 with respect to death, participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed on September 30, 2013 and have less than six (6) years of credited service on that date, whose service is terminated on or after October 1, 2013 but prior to the date on which such participant has completed ten (10) years of credited service, shall be entitled only to the return of the participant’s contributions, plus interest at the rate of 3% compounded annually. Notwithstanding subsection (9) above and except as provided in Section 6.01 with respect to normal retirement, Section 6.03 with respect to disability retirement and Section 6.04 with respect to death, participants in the AFSCME bargaining unit and participants who are not included in any

bargaining unit who are hired on or after October 1, 2013 and whose service is terminated prior to the date on which such participant has completed ten (10) years of credited service, shall be entitled only to the return of the participant's contributions, plus interest at the rate of 3% compounded annually.

(b) [No change]

(c) [No change]

Section 6. Article VI, Section 6.12 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled "Early retirement Incentive", is proposed to be deleted in its entirety as follows:

~~Section 6.12 EARLY RETIREMENT INCENTIVE~~

~~Notwithstanding the provisions of subsections 6.01 and 6.02 above, those participants who, as of May 31, 1996, have attained the age of 55 and have completed at least twelve (12) years of credited service or who have attained the age of 59, regardless of years of service, shall be permitted to retire on or before June 1, 1996 on a date approved by the City Manager, and upon retirement, shall receive a service pension of 2.5% (.0250) of final monthly compensation, multiplied by years and completed calendar months of credited service, augmented by three additional years of service credit, and, where appropriate, multiplied by the actuarial reduction factor to reflect retirement prior to age 62, with the participant's actual age at retirement augmented by three years of age.~~

~~Terms and conditions for early retirement incentive:~~

~~(1) The application for retirement must be received by the Retirement Plan no later than 5:00~~

~~p.m. on May 1, 1996, unless extended by the City Manager. All applications for retirement submitted after February 1, 1996 shall be considered as an application under this early retirement incentive section;~~

~~(2) As a condition of receiving a pension at the rates set forth above, the participant shall make an irrevocable application to the Retirement Plan for normal retirement on a date approved by the City Manager which must be before June 1, 1996 and shall retire on the date so approved unless the retirement date is extended by the mutual agreement of the participant, the Retirement Committee and the City Manager;~~

~~(3) Any accrued annual and sick leave payouts remaining as per contractually established caps and due to a participant as of his or her designated retirement date, shall be paid by the City to the participant in three (3) equal installment payments, without interest, commencing after the participant's designated retirement date, with the remaining two (2) installment payments to be made on January 14, 1997 and January 13, 1998, except that:~~

~~Employees whose total accruals are less than \$9,000 will be paid up to \$3,000 at retirement. Remaining unpaid accruals above \$3,000 but less than \$6,000 will be paid on January 14, 1997. Remaining unpaid accruals \$6,000 or above will be paid on January 13, 1998.~~

~~(4) The City shall pay prorated longevity accrual upon retirement.~~

~~(5) Upon retirement, the City shall pay the participant a cash bonus equivalent to five percent (5%) of current annual salary.~~

~~(6) The City shall provide the participant with single coverage HMO equivalent for 60 months (5 years) or until participant becomes eligible for medicare, whichever comes first. Retiree~~

~~may upgrade his/her coverage by paying the difference in monthly premiums. At the end of this period retirees who selected this retirement window may participate in the City's health insurance plan in a manner similar to that available to other retirees at that time.~~

Section 7. Article VI, Section 6.13 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled "Cost of Living Adjustments", is proposed to be amended as follows:

Section 6.13 COST OF LIVING ADJUSTMENTS

Commencing October 1, 1999, and on the first day of each October thereafter, the monthly income payable hereunder to each participant or beneficiary who has been receiving benefits under any provision of this plan for one or more years, or to any such participant's or beneficiary's surviving beneficiary, shall be increased by two and one-quarter percent (2.25%). Notwithstanding the preceding sentence, the cost of living adjustment applied to the benefits earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit for credited service on and after **October 1, 2013** shall be three-quarters percent (0.75%) annually with the first adjustment applied on October 1 after three years following termination of employment; provided, any participant who is employed and not participating in the DROP on **September 30, 2013** and who on that date has attained age 62 or age 55 with **20** or more years of credited service, shall upon retirement under section 6.01 hereof be eligible for an annual cost of living adjustment of 2.25% commencing on October 1 after one year following retirement.

Section 8. Article I, Section 6.14 of the Retirement Plan for General Employees of the City of North Miami Beach, entitled “Cost of Living Adjustments”, is proposed to be amended as follows:

Section 6.14 DEFERRED RETIREMENT OPTION PROGRAM (DROP)

- (1) [No change]
- (2) [No change]
- (3) [No change]
- (4) [No change]
- (5) An employee is eligible to enter the DROP upon attaining twenty (20) years of service and reaching age fifty-five (55), or attaining age 62 regardless of the number of years of service. Notwithstanding the preceding sentence, employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are employed on September 30, 2013 and have not attained age 62 or age 55 with 20 or more years of credited service on that date, shall be eligible to enter the DROP upon attaining age 62 or age 55 with 20 or more years of credited service, and upon DROP entry shall be eligible to receive the benefit based on their credited service prior to October 1, 2013; and such participants shall be eligible to receive the benefit based on their credited service on and after October 1, 2013 upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service. Employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are hired on or after October 1, 2013 shall be eligible to enter the DROP upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service.

(6) The total years of participation in the DROP may not exceed five (5) years. Notwithstanding the preceding sentence, for employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are employed on September 30, 2013 and have not attained age 62 or age 55 with 20 or more years of credited service on that date, and employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are hired on or after October 1, 2013, the total years of participation in the DROP may not exceed three (3) years.

(7) [No change]

(8) [No change]

(9) [No change]

(10) [No change]

(11) [No change]

(12) [No change]

(13) [No change]

(14) The decision to enter the DROP is irrevocable. Each Employee who enters the DROP is required to execute whatever documents the Retirement Committee promulgates, which shall include, at a minimum, an agreement that he or she will resign from the City no later than the end of the maximum DROP participation period~~five (5) years from actual date of entering the DROP.~~

(15) If for any reason, a court of competent jurisdiction determines that the irrevocable election is not enforceable, and an Employee chooses to remain in the employment of the City beyond the end of the maximum DROP participation period~~five (5) years~~, the Employee's retirement benefit will be calculated as if the Employee had never entered the

DROP , and the Employee will be required to make contributions to the Pension Fund in an amount sufficient to cover the Employee and City contributions that would have been made had the Employee not elected to participate in the DROP, along with interest, as determined by the Retirement Committee upon the advice of the actuary.

(16) [No change]

(17) [No change]

(18) [No change]

Section 9. All ordinances or parts of ordinances in conflict herewith be and the same are hereby repealed.

Section 10. If any section, subsection, clause or provision of this ordinance is held invalid the remainder shall not be affected by such invalidity.

Section 11. It is the intention of the City Council of the City of North Miami Beach and it is hereby ordained that the provisions of this Ordinance shall become and be made a part of the Code of Ordinances of the City of North Miami Beach, Florida. The Sections of this Ordinance may be renumbered or relettered to accomplish this intention and the word “Ordinance” may be changed to “Section”, “Article” or other appropriate word as the codifier may deem fit.

Section 12. This ordinance shall take effect immediately upon adoption.

APPROVED BY TITLE ONLY on first reading this ___ day of _____, 2013.

APPROVED AND ADOPTED on second reading this ___ day of _____, 2013.

ATTEST:

ORDINANCE NO. 2013-15

**PAMELA L. LATIMORE
CITY CLERK**

(CITY SEAL)

**GEORGE VALLEJO
MAYOR**

APPROVED AS TO FORM

**DARCEE S. SIEGEL
CITY ATTORNEY**

Sponsored by: Mayor & Council

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

Actuarial Impact Statement as of October 1, 2012

A. Description of Proposed Ordinance

- Provides for the Plan to be amended by Ordinance subject only to the applicable requirements of federal and state law.
- Eliminates the requirement of approval of 66 2/3% of the active participants in order to amend the Plan.
- Provides reports and recommendations from the City Manager, actuary and / or any other pension board or consultant may be considered but are not required before the City Council may amend the Plan.
- For members who have not attained age 62 or attained age 55 with 20 years of credited service as of the valuation date and are either (1) members of the AFSCME bargaining group or (2) not included in any bargaining unit:
 - Normal retirement eligibility is the earlier of attainment of age 62 with 10 years of credited service or attainment of age 60 with 25 years of credited service (benefits currently accrued are payable upon attainment of age 62 or attainment of age 55 with 20 years of credited service).
 - Benefit multiplier is 3.0% for current credited service - 2.5% for future credited service.
 - Members are 100% vested upon completion of ten (10) years of credited service - members who have currently completed six (6) years of credited service are 100% vested.
 - COLA adjustments are 2.25% per annum commencing October 1st following receipt of benefits for one (1) year for 3.00% accruals - 0.75% per annum commencing October 1st after three (3) years following termination of employment for 2.50% benefit accruals.
 - Maximum period of participation in the DROP is thirty-six (36) months.
- Removes language related to the prior Early Retirement Incentive.
- Repeals all Ordinances or parts of Ordinances in conflict herewith.
- Provides for severability.
- Provides for codification.
- Provides for an effective date.

B. An estimate of the cost of implementing this proposed ordinance (see attachment).

C. In my opinion, the proposed changes are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.

Chairman, Retirement Committee

Date

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

Actuarial Impact Statement as of October 1, 2012

| | <u>Actuarial Valuation</u> | <u>Proposed Ordinance</u> |
|--|--------------------------------|-------------------------------|
| A. <u>Participant Data</u> | | |
| 1. Active participants | 248 | 248 |
| 2. Retired participants and beneficiaries receiving benefits | 189 | 189 |
| 3. DROP Participants | 41 | 41 |
| 4. Disabled participants receiving benefits | 13 | 13 |
| 5. Terminated vested participants | 29 | 29 |
| 6. Annual payroll of active participants | \$ 10,612,185 | \$ 10,612,185 |
| 7. Expected payroll of active participants for the following year | \$ 10,612,185 | \$ 10,612,185 |
| 8. Annual benefits payable to those currently receiving benefits | \$ 3,768,755 | \$ 3,768,755 |
| 9. Annual benefits payable to DROP participants | \$ 1,265,119 | \$ 1,265,119 |
| B. <u>Net Assets</u> | | |
| 1. Actuarial Value of Assets | \$ 60,520,361 | \$ 62,709,280 |
| 2. Market Value of Assets | \$ 62,709,280 | \$ 62,709,280 |
| C. <u>Liabilities</u> | | |
| 1. Actuarial present value of future expected benefit payments for active members | | |
| a. Retirement benefits | \$ 43,160,423 | \$ 38,095,911 |
| b. Vesting benefits | 2,633,041 | 2,395,021 |
| c. Death benefits | 781,428 | 627,758 |
| d. Disability benefits | 2,425,149 | 2,239,720 |
| e. Total | <u>\$ 49,000,041</u> | <u>\$ 43,358,410</u> |
| 2. Actuarial present value of future expected benefit payments for terminated vested members | \$ 3,088,312 | \$ 3,088,312 |
| 3. Actuarial present value of future expected benefit payments for members currently receiving benefits | | |
| a. Service retired | \$ 30,659,473 | \$ 30,659,473 |
| b. DROP participants | 16,855,927 | 16,855,927 |
| c. Disability retired | 1,967,830 | 1,967,830 |
| d. Beneficiaries | 5,798,018 | 5,798,018 |
| e. Miscellaneous | 208,138 | 208,138 |
| f. Total | <u>\$ 55,489,386</u> | <u>\$ 55,489,386</u> |

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

Actuarial Impact Statement as of October 1, 2012

| | <u>Actuarial Valuation</u> | <u>Proposed Ordinance</u> |
|--|--------------------------------|-------------------------------|
| 4. Total actuarial present value of future expected benefit payments | \$ 107,577,739 | \$ 101,936,108 |
| 5. Actuarial accrued liabilities | \$ 96,695,425 | \$ 92,845,826 |
| 6. Unfunded actuarial liabilities | \$ 36,175,064 | \$ 30,136,546 |

D. Statement of Accumulated Plan Benefits

| | | |
|--|---------------|---------------|
| 1. Actuarial present value of accumulated vested benefits | | |
| a. Participants currently receiving benefits | \$ 38,425,321 | \$ 38,425,321 |
| b. DROP participants | 16,855,927 | 16,855,927 |
| c. Other participants | 30,960,752 | 30,717,369 |
| d. Total | \$ 86,242,000 | \$ 85,998,617 |
| 2. Actuarial present value of accumulated non-vested plan benefits | 673,798 | 918,588 |
| 3. Total actuarial present value of accumulated plan benefits | \$ 86,915,798 | \$ 86,917,205 |

E. Pension Cost

| | | |
|--|---------------------------|---------------------------|
| 1. Total normal cost | \$ 1,752,817 | \$ 1,528,934 |
| 2. Payment required to amortize unfunded liability | 3,090,932 | 2,604,820 |
| 3. Interest adjustment | 180,693 | 154,207 |
| 4. Total required contribution | \$ 5,024,442 | \$ 4,287,961 |
| 5. Item 4 as a percentage of payroll | 47.3% | 40.4% |
| 6. Estimated employee contributions | \$ 742,853 ¹ | \$ 742,853 ¹ |
| 7. Item 6 as a percentage of projected payroll | 7.0% | 7.0% |
| 8. Net amount payable by City | \$ 4,281,589 ¹ | \$ 3,545,108 ¹ |
| 9. Item 8 as a percentage of projected payroll | 40.3% | 33.4% |

¹ Percent of pay applied to expected 2013 / 2014 covered payroll (\$10,612,185)

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

Actuarial Impact Statement as of October 1, 2012

| | <u>Actuarial Valuation</u> | <u>Proposed Ordinance</u> |
|---|--------------------------------|-------------------------------|
| F. <u>Disclosure of Following Items:</u> | | |
| 1. Actuarial present value of future salaries - attained age | \$ 73,750,797 | \$ 73,750,797 |
| 2. Actuarial present value of future employee contributions - attained age | \$ 5,162,555 | \$ 5,162,555 |
| 3. Actuarial present value of future contributions from other sources | N/A | N/A |
| 4. Amount of active members' accumulated contributions | \$ 7,590,756 | \$ 7,590,756 |
| 5. Actuarial present value of future salaries and future benefits at entry age | N/A | N/A |
| 6. Actuarial present value of future employee contributions at entry age | N/A | N/A |

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

Actuarial Impact Statement as of October 1, 2012

G. Amortization of Unfunded Actuarial Accrued Liability

| | <u>Current Unfunded</u> | <u>Amortization</u> | <u>Remaining</u> |
|---|-------------------------|---------------------|------------------|
| <u>Unfunded Actuarial Accrued Liabilities</u> | <u>Liabilities</u> | <u>Payment</u> | <u>Funding</u> |
| | | | <u>Period</u> |
| 10/01/2001 Assumption / Method Change | \$ (2,792,087) | \$ (264,988) | 19 years |
| 10/01/2001 Plan Amendment | 37,883 | 3,595 | 19 years |
| 10/01/2002 Actuarial Loss (Gain) | 9,511,165 | 882,395 | 20 years |
| 10/01/2003 Actuarial Loss (Gain) | (184,785) | (16,793) | 21 years |
| 10/01/2004 Actuarial Loss (Gain) | 4,521,696 | 403,287 | 22 years |
| 10/01/2005 Actuarial Loss (Gain) | 3,827,887 | 335,613 | 23 years |
| 10/01/2005 Plan Amendment | 41,902 | 3,674 | 23 years |
| 10/01/2006 Actuarial Loss (Gain) | 1,561,154 | 134,753 | 24 years |
| 10/01/2007 Actuarial Loss (Gain) | (1,853,146) | (157,688) | 25 years |
| 10/01/2008 Actuarial Loss (Gain) | 2,802,605 | 235,380 | 26 years |
| 10/01/2008 Assumption Change | 1,856,057 | 155,883 | 26 years |
| 10/01/2009 Actuarial Loss (Gain) | 3,177,927 | 263,721 | 27 years |
| 10/01/2010 Actuarial Loss (Gain) | 3,561,650 | 292,331 | 28 years |
| 10/01/2011 Actuarial Loss (Gain) | 2,746,611 | 223,169 | 29 years |
| 10/01/2011 Assumption Change | 5,625,023 | 457,048 | 29 years |
| 10/01/2012 Actuarial Loss (Gain) | 1,733,522 | 139,552 | 30 years |
| 10/01/2012 Proposed Ordinance | <u>(6,038,518)</u> | <u>(486,112)</u> | 30 years |
| TOTAL | \$ 30,136,546 | \$ 2,604,820 | |

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

Enrollment Number: 11-02802

Dated: August 30, 2013



Lawrence F. Wilson, A.S.A

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

Outline of Principal Provisions of the Retirement Plan

A. Effective Date:

July 1, 1957 as Amended and Restated under Ordinance No. 89.19. Most recently amended under Ordinance No. 2012-6.

B. Eligibility Requirements:

1. Permanent full-time or *contract* employees excluding Police Officers, Firefighters, City Councilmen and the City Attorney.
2. Completion of two (2) years of credited service.

C. Credited Service:

Service measured in completed calendar months from date of employment to date of retirement or prior termination.

D. Final Monthly Compensation (FMC):

Average monthly rate of basic compensation during the best 60 successive calendar months out of the last 120 calendar months preceding date of retirement or prior termination. Basic compensation is defined as compensation actually paid to a participant excluding commissions, bonuses, overtime, expense allowances and all other extraordinary compensation.

E. Normal Retirement:

1. For members who have currently attained age 62 or have currently attained age 55 with 20 years of credited service and for members of the IUPA bargaining group:
 - a. Eligibility: Attainment of age 62, or attainment of age 55 with 20 years of credited service.
 - b. Benefit: 3.0% of FMC times credited service.
2. For all other members:
 - a. Eligibility: Attainment of age 62 with 10 years of credited service, or attainment of age 60 with 25 years of credited service.
 - b. Benefit: 3.0% of FMC times current credited service - 2.5% of FMC times future credited service.

Benefits based upon current credited service may be paid upon attainment of age 62 or attainment of age 55 with 20 years of credited service.

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

Outline of Principal Provisions of the Retirement Plan

F. Early Retirement:

- a. Eligibility: Attainment of age 55 and completion of 15 years of credited service, or completion of 20 years of credited service.
- b. Benefit: Benefit accrued to date of retirement, actuarially reduced to reflect commencement of benefit at an earlier age.

G. Deferred Retirement:

- a. Eligibility: Retirement subsequent to normal retirement date.
- b. Benefit: Benefit calculated as for normal retirement based upon FMC and credited service as of deferred retirement date.

H. Disability Retirement:

- a. Eligibility: Total and permanent disability prior to normal retirement age for 6 months.
- b. Benefit: The greater of (i) or (ii) below, payable for the lifetime of the participant.
 - (i) A - B, where A is 60% of FMC at date of disability and B is 64% of the monthly Social Security disability benefit to which the participant is entitled.
 - (ii) The participant's accrued benefit as of date of disability.

Monthly disability retirement income payable until the earliest of recovery from disability, death or normal retirement date. If the participant remains disabled until normal retirement date, the same benefit will be payable for 10 years certain (measured from normal retirement date) and life thereafter.

If death of a disabled participant occurs prior to normal retirement date, benefit to beneficiary payable for 10 years certain and life thereafter, which can be supported by the greater of A or B, where A is the single-sum value of the accrued deferred benefit at date of death assuming continued credited service and assuming continued pay at last monthly rate to date of death and B is the lesser of (1) and (2), where (1) is 24 times FMC at date of disability and (2) is 100 times the anticipated monthly normal retirement benefit.

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

Outline of Principal Provisions of the Retirement Plan

I. Death Benefit:

Benefit to beneficiary (payable for 10 years certain and life thereafter) which can be supported by the greater of A or B, where A is the single-sum value of the accrued deferred benefit at date of death and B is the lesser of (i) and (ii), where (i) is 24 times monthly rate of pay on October 1 preceding date of death and (ii) is 100 times anticipated normal retirement benefit.

If death occurs subsequent to normal retirement date, benefit to beneficiary payable for 10 years certain and life thereafter, which can be supported by the single sum value of the accrued benefit as of date of death.

J. Employee Contributions:

7% of basic annual compensation contributed on a *pre-tax* basis beginning after completion of two years of credited service eligibility requirement continuing until termination or actual retirement date.

K. Vested Benefit Upon Termination:

a. Eligibility: 100% vesting upon completion of ten (10) years of credited service - members who have currently completed six (6) years of credited service are 100% vested. Members of the IUPA bargaining group are 100% vested upon completion of six (6) years of credited service.

b. Benefit: Accrued benefit as of date of termination multiplied by vesting percentage, payable as of normal retirement date in the normal form. After 20 years of credited service, an immediate, actuarially reduced benefit is optional.

L. Termination Benefit:

a. Eligibility: Less than 100% vested at date of termination.

b. Benefit: Return of employee contributions plus interest at the rate of 3%, compounded annually.

M. Cost of Living Adjustment (COLA)

For members who have currently attained age 62 or have currently attained age 55 with 20 years of credited service and for members of the IUPA bargaining group, COLA adjustments of 2.25% per annum commencing October 1st following receipt of benefits for one (1) year.

For all other members, COLA adjustments of 2.25% per annum commencing October 1st following receipt of benefits for one (1) year for 3.00% accrual service benefits and COLA adjustments of 0.75% per annum commencing October 1st after three (3) years following termination of employment for 2.50% accrual service benefits.

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

Outline of Principal Provisions of the Retirement Plan

N. Normal Form of Payment of Retirement Income:

10 years certain and life thereafter, subject to COLA adjustments.

O. Deferred Retirement Option Program (DROP)

1. Eligibility - Upon attainment of normal retirement eligibility.
2. The maximum period of participation in the DROP is sixty (60) months. For members who have not currently attained age 62 or attained of age 55 with 20 years of credited service and are either (1) members of the AFSCME bargaining group or (2) not included in any bargaining unit, maximum period of participation in the DROP is thirty-six (36) months.
3. COLA is no payable during DROP participation period.
4. Interest is credited at the fixed rate of 6.5% per annum through June 30, 2012 - 3.0% per annum thereafter.

P. Changes from Previous Actuarial Valuation

1. Normal Retirement was:

- a. Eligibility: Attainment of age 62, or attainment of age 55 with 20 years of credited service.
- b. Benefit: 3.0% of FMC times credited service.

2. Vested Benefit Upon Termination was:

- a. Eligibility: 100% vesting upon completion of six (6) years of credited service.
- b. Benefit: Accrued benefit as of date of termination multiplied by vesting percentage, payable as of normal retirement date in the normal form. After 20 years of credited service, an immediate, actuarially reduced benefit is optional.

3. Termination Benefit was:

- a. Eligibility: Less than six (6) years of credited service at date of termination.
- b. Benefit: Return of employee contributions plus interest at the rate of 3%, compounded annually.

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

Outline of Principal Provisions of the Retirement Plan

P. Changes from Previous Actuarial Valuation (continued)

4. Normal Form of Payment of Retirement Income was:

10 years certain and life thereafter, subject to COLA adjustments of 2.25% per annum.

5. Deferred Retirement Option Program (DROP) was:

1. Eligibility - The earlier of attainment of age 55 and completion of 20 years of credited service or attainment of age 62.
2. The maximum period of participation in the DROP is sixty (60) months.
3. The COLA is first payable following DROP participation period.
4. Interest is credited at the fixed rate of 6.5% per annum through June 30, 2012 and 3.0% per annum thereafter.

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

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

A. Mortality

For healthy participants, the RP-2000 Mortality Table was used, with separate rates for males and females and for annuitants and non-annuitants, and with fully generational mortality improvements projected to each future decrement date with Scale AA.

For disabled participants, the RP-2000 Disabled Mortality Table was used, with separate rates for males and females, and with fully generational mortality improvements projected to each future decrement date with Scale AA.

B. Investment Return

7.75%, compounded annually, net of investment expenses.

C. Allowances for Expenses or Contingencies

Provision for payment of administrative costs added to normal cost based upon non-investment expenses paid in previous year.

D. Employee Withdrawal Rates

| <u>Age</u> | <u>Withdrawal Rates</u> | | | |
|------------|--------------------------|-----------------|----------------------|-----------------|
| | <u>Per 100 Employees</u> | | | |
| | <u>Males</u> | | <u>Females</u> | |
| | <u>First 4 Years</u> | <u>4+ Years</u> | <u>First 4 Years</u> | <u>4+ Years</u> |
| 20 | 12.0 | 8.0 | 12.0 | 12.0 |
| 25 | 12.0 | 7.9 | 12.0 | 12.0 |
| 30 | 12.0 | 7.6 | 10.0 | 10.0 |
| 35 | 12.0 | 7.4 | 8.0 | 7.9 |
| 40 | 12.0 | 5.4 | 8.0 | 7.4 |
| 45 | 12.0 | 3.0 | 8.0 | 7.1 |
| 50 | 12.0 | 3.0 | 8.0 | 6.0 |
| 55 | 12.0 | 3.0 | 8.0 | 8.0 |
| 60 & Over | 12.0 | 3.0 | 8.0 | 8.0 |

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

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

E. Disability Incidence

1985 Class One Disability Study Table with separate rates for males and females.

| Disability Rates <u>Per 100 Employees</u> | | |
|--|-------------|---------------|
| <u>Age</u> | <u>Male</u> | <u>Female</u> |
| 20 | 0.03 | 0.03 |
| 25 | 0.04 | 0.05 |
| 30 | 0.05 | 0.08 |
| 35 | 0.07 | 0.14 |
| 40 | 0.12 | 0.21 |
| 45 | 0.20 | 0.32 |
| 50 | 0.36 | 0.53 |
| 55 | 0.72 | 0.95 |
| 60 | 1.26 | 1.16 |
| 65 | 1.75 | 1.36 |
| 70 | 0.00 | 0.00 |

F. Salary Increase Assumptions

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 three years ended September 30, 2011, we have assumed the City will continue to provide limited salary increases during the period October 1, 2012 through September 30, 2014. We assume pay increases will average 3.75% annually for the next two years. Effective October 1, 2014 salary increase assumptions are as follows:

| <u>Service</u> | <u>Salary Increase</u> |
|----------------|------------------------|
| 0 - 5 | 8.00% |
| 6 - 10 | 5.50% |
| 11 - 14 | 4.50% |
| 15 + years | 4.25% |

G. Increase in Covered Payroll

4.0%, per year not greater than the average annual increase over most recent ten years (-0.2%), but not less than 0.0%.

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

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

H. Rates of Retirement

1. For members hired prior to the valuation date:

| <u>Age</u> | <u>Rates of Retirement</u> | |
|------------|----------------------------|------------------|
| | <u><20 years</u> | <u>20+ years</u> |
| < 55 | N/A | 8% |
| 55 | 5% | 40% |
| 56 - 59 | 5% | 20% |
| 60 | 5% | 15% |
| 61 | 25% | 15% |
| 62 | 35% | 35% |
| 63 - 64 | 20% | 20% |
| 65 | 50% | 100% |
| 66 - 69 | 20% | 100% |
| 70 - 74 | 35% | 100% |
| 75 & Over | 100% | 100% |

35% of employees enter the DROP when first eligible.

2. For members hired on or after the valuation date:

| <u>Age</u> | <u>Rates of Retirement</u> | | |
|------------|----------------------------|----------------------|------------------|
| | <u><20 years</u> | <u>20 - 24 years</u> | <u>25+ years</u> |
| < 55 | N/A | 8% | 8% |
| 55 - 59 | 5% | 8% | 8% |
| 60 | 5% | 8% | 40% |
| 61 | 25% | 25% | 20% |
| 62 | 35% | 35% | 20% |
| 63 - 64 | 20% | 20% | 20% |
| 65 | 50% | 50% | 15% |
| 66 | 20% | 20% | 15% |
| 67 | 20% | 20% | 35% |
| 68 - 69 | 20% | 20% | 20% |
| 70 - 74 | 35% | 35% | 100% |
| 75 & Over | 100% | 100% | 100% |

35% of employees enter the DROP when first eligible.

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

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

I. Deferred Retirement Option Program (DROP)

The assumed period of DROP participation is four (4) years for members allowed to participate in the DROP for sixty (60) months (5 year COLA deferral). The assumed period of DROP participation is three (3) years for members allowed to participate in the DROP for thirty-six (36) months (6 year COLA deferral).

J. Actuarial Value of Assets

Actuarial Value of Assets is marked to Market Value. Method used for determining the actuarial value of assets phased in the deviation between the expected and actual return on assets at the rate of 20% per year. The actuarial value of assets were further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

K. Actuarial Cost Method

Normal Retirement, Termination, Disability, and Death Benefits: Entry-Age-Normal Cost Method.
Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his entry age to his assumed retirement age to fund his estimated benefits, assuming the Plan had always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the Plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the assets of the Plan.

L. Changes from Previous Actuarial Valuation

1. The assumed period of DROP participation (COLA deferral) was four (4) years.
2. Actuarial Value of Assets was not marked to market value.

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

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

L. Changes from Previous Actuarial Valuation (continued)

3. Rates of Retirement were:

| <u>Age</u> | <u>Rates of Retirement</u> | |
|------------|----------------------------|------------------|
| | <u><20 years</u> | <u>20+ years</u> |
| < 55 | N/A | 8% |
| 55 | 5% | 40% |
| 56 - 59 | 5% | 20% |
| 60 | 5% | 15% |
| 61 | 25% | 15% |
| 62 | 35% | 35% |
| 63 - 64 | 20% | 20% |
| 65 | 50% | 100% |
| 66 - 69 | 20% | 100% |
| 70 - 74 | 35% | 100% |
| 75 & Over | 100% | 100% |

35% of employees entered the DROP when first eligible.