

**CITY OF ATLANTIC BEACH POLICE OFFICERS' RETIREMENT  
SYSTEM**

ACTUARIAL VALUATION REPORT  
SEPTEMBER 30, 2012

**ANNUAL EMPLOYER CONTRIBUTION  
IS DETERMINED BY THIS VALUATION  
TO BE PAID IN THE EMPLOYER FISCAL YEAR ENDING  
SEPTEMBER 30, 2014**



March 28, 2013

The Board of Trustees  
City of Atlantic Beach  
Police Officers' Retirement System  
Atlantic Beach, Florida

Dear Board Members:

We are pleased to submit herein our September 30, 2012 Actuarial Valuation Report for the City of Atlantic Beach Police Officers' Retirement System. The contribution results apply to the City's fiscal year ending September 30, 2014.

This report was prepared at the request of the Board of Trustees and is intended for use by the Pension Plan and those designated or approved by the Board of Trustees. This report may be provided to parties other than the Pension Plan only in its entirety and only with the permission of the Board of Trustees.

The purpose of the valuation is to measure the Plan's funding progress, to determine the employer contribution rate for the fiscal years ending September 30, 2014 and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 25 and No. 27.

This report should not be relied on for any purpose other than the purpose described above.

The developed findings included in this report consider data or other information through September 30, 2011. 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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in the report.

The valuation was based upon information furnished by the City, concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

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

The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to answer questions pertaining to the valuation and to meet with you to review this Report.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY



James J. Rizzo, ASA, MAAA  
Senior Consultant & Actuary



Piotr Krekora, ASA, MAAA  
Consultant & Actuary

**STATEMENT BY ENROLLED ACTUARY**

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



\_\_\_\_\_  
Signature

March 28, 2013  
Date

11-03355  
Enrollment Number

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*Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.*

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**SECTION A**  
**EXECUTIVE SUMMARY**

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## EXECUTIVE SUMMARY

### Comparison of Required Employer Contributions

The following is a comparison of required contributions developed in this year's and the last actuarial valuations:

|   | For FYE 9/30/2014<br>Based on 9/30/2012<br>Valuation | For FYE 9/30/2013<br>Based on 9/30/2011<br>Valuation | Increase<br>(Decrease) |
|---|--|--|------------------------|
| Gross Contribution Requirement  | \$ 770,313   | \$ 688,746   | \$ 81,567              |
| As % of Expected Payroll  | 46.92 %  | 40.45 %  | 6.47 %                 |
| Expected Employee Contribution  | \$ 79,058  | \$ 82,005  | \$ (2,947)             |
| As % of Covered Payroll   | 4.815 %  | 4.815 %  | 0.00 %                 |
| Required Employer/State Contribution  | \$ 691,255   | \$ 606,741   | \$ 84,514              |
| As % of Expected Payroll  | 42.10 %  | 35.63 %  | 6.47 %                 |
| Estimated State Contribution  | \$ 88,806  | \$ 88,806  | \$ 0                   |
| As % of Covered Payroll   | 5.41 %   | 5.21 %   | 0.20 %                 |
| Required Employer Contribution<br>(If Made in Equal Monthly Installments)         | \$ 602,449   | \$ 517,935   | \$ 84,514              |
| As % of Covered Payroll   | 36.69 %  | 30.41 %  | 6.28 %                 |
| Required Employer Contribution<br>(If Made in Whole at the Beginning of the Year) | \$ 577,427   | \$ 496,423   | 81,004                 |
| As % of Covered Payroll   | 35.17 %  | 29.15 %  | 6.02 %                 |

### Minimum Required Contribution

As illustrated in the preceding chart, the contribution necessary from the City and State to support the current benefits for the Police Officers is \$691,255 for the fiscal year ending September 30, 2014. The City may be able to use up to \$88,806 of State premium tax moneys to satisfy part of that requirement, leaving the City contribution at \$602,449. However, the City may need to contribute more, should receipts from the State fall short of the expected amount presented in the table above. In no event, the combined City and State contribution should be less than 42.10% of the total payroll for the contribution year, unless made in full on the first day of that year. Please note that the Required Employer Contribution for that fiscal year is *assumed* to be deposited in monthly intervals throughout the year.

### **Revisions in Benefits**

There were no revisions in benefits for the current year.

Pending changes being considered would not have an effective date until many months following the October 1, 2012 valuation date. The current financial and actuarial effects of any such amendment, if adopted in the next few months, would be reflected in an Actuarial Impact Statement that will be prepared shortly. Depending on the nature of the amendment, the Minimum Required Contribution for the fiscal year ending September 30, 2014 may change from what is described herein.

### **Revisions in Actuarial Assumptions or Methods**

There were no revisions in actuarial assumptions or methods for the current year.

### **Actuarial Experience**

Actuarial gains occur in a year whenever the experience of the plan is better than was assumed. For example, if investment performance were better than the level being assumed in the actuarial valuation and costing process, then an actuarial gain results and would have the effect of lowering the Minimum Required Contribution for the year. Whenever more employees terminate employment than were assumed would terminate, fewer employees are then expected to actually retire from the City, resulting in an actuarial gain for the plan.

Actuarial losses occur in a year whenever the experience of the plan is worse than was assumed. In the examples given above, if the reverse were to occur, then actuarial losses would result. As another example, if salaries increased in one year were higher than assumed or more new employees were hired than terminated, an actuarial loss would occur.

The actuarial valuation cost method which determines the Minimum Required Contribution is designed to produce contribution requirements which remain level as a percent of payroll whenever the experience of the plan matches the actuarial assumptions used. Contribution Requirements are also level whenever actuarial losses exactly offset actuarial gains.

### **Analysis of Change in Employer Contribution**

The components of change in the actuarially required contribution are as follows:

|                                       |               |
|---------------------------------------|---------------|
| Contribution rate last year           | 30.41 %       |
| Payment on UAAL                       | 7.12          |
| Experience (gain)/loss                | 0.26          |
| Change in administrative expense      | (0.81)        |
| Change in normal cost before expenses | (0.11)        |
| Revision in benefits                  | 0.00          |
| Revision in assumptions/methods       | 0.00          |
| Change in State Revenue               | <u>(0.18)</u> |
| Contribution rate this year           | 36.69 %       |

There was a net actuarial loss this year which is primarily due to a vested terminated participant who was retroactively approved for disability retirement during the past year. This loss was partially offset by lower than expected salary increases (-0.8% vs. 7.6% assumed).

Administrative expenses were less than the previous year by 0.81% of pay. The dollar amount of the State Revenue is expected to remain at the same level but due to a recent payroll reduction it will represent a larger

percentage of the projected payroll.

There was a decrease in the 10-year average payroll growth rate (from 3.35% to 2.62%). The covered payroll is expected to grow at the rate of 4% in the long term. However, in accordance with the requirements of Ch. 112.64 (5) (a), F.S. this assumed payroll growth used in developing the amortization payments, cannot exceed the actual average annual payroll growth rate based on the last 10 years. This limit has been affecting amortization amounts for the last three years. Due to a decrease in the 10-year average, the amortization payment of the UAAL increased this year, adding to the actuarial losses described previously, which ultimately increased the contribution.

The remainder of this Report includes detailed actuarial valuation results, financial information, miscellaneous information and statistics, and a summary of plan provisions.

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## **SECTION B**

### **VALUATION RESULTS**

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| <b>PARTICIPANT DATA</b>                            |                           |                           |
|--|---------------------------|---------------------------|
|  | <b>September 30, 2012</b> | <b>September 30, 2011</b> |
| <b>ACTIVE MEMBERS</b>                              |                           |                           |
| Number   | 26                        | 26                        |
| Covered Annual Payroll                             | \$ 1,548,109              | \$ 1,605,814              |
| Average Annual Payroll                             | \$ 59,543                 | \$ 61,762                 |
| Average Age  | 37.9                      | 37.9                      |
| Average Past Service                               | 7.9                       | 8.1                       |
| Average Age at Hire                                | 30.0                      | 29.8                      |
| <b>RETIREES, BENEFICIARIES, &amp; DROP MEMBERS</b> |                           |                           |
| Number   | 15                        | 14                        |
| Annual Benefits                                    | \$ 544,324                | \$ 493,822                |
| Average Annual Benefit                             | \$ 36,288                 | \$ 35,273                 |
| Average Age  | 60.7                      | 60.6                      |
| <b>DISABILITY RETIREES</b>                         |                           |                           |
| Number   | 4                         | 3                         |
| Annual Benefits                                    | \$ 74,159                 | \$ 56,032                 |
| Average Annual Benefit                             | \$ 18,540                 | \$ 18,677                 |
| Average Age  | 55.1                      | 57.9                      |
| <b>TERMINATED VESTED MEMBERS</b>                   |                           |                           |
| Number   | 4                         | 5                         |
| Annual Benefits                                    | \$ 41,865                 | \$ 55,564                 |
| Average Annual Benefit                             | \$ 10,466                 | \$ 11,113                 |
| Average Age  | 48.9                      | 46.8                      |

**ANNUAL REQUIRED CONTRIBUTION (ARC)**

|   | September 30, 2012 | September 30, 2011 |
|---|--------------------|--------------------|
| A. Valuation Date   | September 30, 2012 | September 30, 2011 |
| B. ARC to Be Paid During Fiscal Year Ending   | 9/30/2014          | 9/30/2013          |
| C. Assumed Date(s) of Employer Contrib.   | Monthly            | Monthly            |
| D. Annual Payment to Amortize Unfunded Actuarial Liability if Paid on the Valuation Date  | \$ 375,564         | \$ 278,845         |
| E. Employer Normal Cost (including Administrative Expenses) if Paid on the Valuation      | 237,903            | 259,619            |
| F. Annual Required Contribution (ARC) if Paid on the Valuation Date: D+E                  | 613,467            | 538,464            |
| G. ARC Adjusted for Frequency of Payments and Interest to Required Time of Contribution   | 691,255            | 606,741            |
| H. Covered Payroll for Contribution Year  | 1,641,918          | 1,703,120          |
| I. ARC as % of Expected Covered Payroll in the Contribution Year $G \div H$               | 42.10 %            | 35.63 %            |
| J. Estimate of State Revenue in Contribution Year*  | 88,806             | 88,806             |
| K. Required Employer Contribution (REC) in Contribution Year                              | 602,449            | 517,935            |
| L. REC as % of Covered Payroll in Contribution Year: $K \div J$                           | 36.69 %            | 30.41 %            |
| M. Required Employer Contribution (REC) if Paid on the First Day of the Contribution Year | 577,427            | 496,423            |

\* Chapter 185 Florida Statutes. The City contribution amount may need to be increased if the amount received under the provisions of Chapter 185, Florida Statutes, is not sufficient to meet the total employer contribution requirement. **CAUTION:** If the amount received under the provisions of Chapter 185, Florida Statutes, exceeds \$88,806, the City may NOT use any of the excess to reduce the City contribution shown.

**ACTUARIAL VALUE OF BENEFITS AND ASSETS**

| A. Valuation Date   | September 30, 2012 | September 30, 2011 |
|---|--------------------|--------------------|
| B. Actuarial Present Value of All Projected Benefits for        |                    |                    |
| 1. Active Members   |                    |                    |
| a. Service Retirement Benefits                                  | \$5,649,742        | \$5,958,209        |
| b. Vesting Benefits   | 436,838            | 444,331            |
| c. Disability Benefits  | 222,369            | 230,062            |
| d. Preretirement Death Benefits                                 | 48,102             | 50,614             |
| e. Return of Member Contributions                               | 76,094             | 77,178             |
| f. Total  | <u>6,433,145</u>   | <u>6,760,394</u>   |
| 2. Inactive Members   |                    |                    |
| a. Service Retirees & Beneficiaries                             | 5,799,923          | 5,241,594          |
| b. Disability Retirees  | 757,569            | 541,226            |
| c. Terminated Vested Members                                    | 194,822            | 216,786            |
| d. Total  | <u>6,752,314</u>   | <u>5,999,606</u>   |
| 3. Total for All Members  | 13,185,459         | 12,760,000         |
| C. Actuarial Accrued (Past Service) Liability per GASB No. 25   | 10,600,187         | 10,065,007         |
| D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35 | 9,068,198          | 8,408,268          |
| E. Plan Assets  |                    |                    |
| 1. Market Value   | 6,934,693          | 6,056,405          |
| 2. Actuarial Value  | 6,880,124          | 6,305,176          |
| F. Actuarial Present Value of Projected Covered Payroll         | 13,864,778         | 14,472,886         |
| G. Actuarial Present Value of Projected Member Contributions    | 668,282            | 697,593            |

## STATE PREMIUM TAX REVENUES

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|   | Prior Year | Cumulative |
|---|------------|------------|
| A. Additional premium tax revenues<br>as of 9/30/2011   | \$ 120,454 | \$ -       |
| B. Chapter 185 receipts during fiscal<br>year ending 9/30/2012  | 88,795     | 1,240,299  |
| C. Chapter 185 "frozen" receipts during<br>fiscal year ending 9/30/1998   | 70,289     | 974,785    |
| D. Qualifying benefit improvements<br>since Chapter 99-1 effective date   | 18,517     | 148,136    |
| E. Additional premium tax revenues<br>(Excess Premium Tax Reserves) as of<br>9/30/2012 [ A + B - C - D] not less<br>than beginning of the year. | 120,454    |            |

### Minimum Compliance (\$18,517)

- A. Early retirement eligibility at 50 & 10
- B. Normal retirement eligibility at 55 & 10
- C. 10 year certain and life normal form

### Potential Future Benefits

#### Extra Benefits

- A. None proposed

Note: During the Fiscal Year ended 9/30/2012, "Chapter 185 receipts" totaled \$88,795. This amount is lower than the maximum amount of State premium tax moneys that can be used by the City to satisfy part of the Annual Required Contribution. The current such maximum, equal \$88,806, is a sum of (i) the "frozen" amount of \$70,289 and (ii) amount equal to initial annual cost of qualifying benefit improvements of \$18,517.

## FINANCIAL SOUNDNESS

The purpose of this portion of the Report is to provide certain measures which indicate the financial soundness of the program. These measures relate to short term solvency and long term solvency.

The various percentages listed in this Section as of a single valuation date are not that significant. What is significant, however, is the trend of the rates over a period of years. It is also important to keep in mind that each time benefits or assumptions are revised; actuarial liabilities are created or diminished. Any newly created liabilities are financed systematically over a period of future years. All actuarially computed values in this analysis are based on the actuarial assumptions utilized in the respective years' actuarial valuations.

### **Short Term Solvency**

The ultimate test of financial soundness is the program's ability to pay all promised benefits when due. The program's progress in accumulating assets to pay all promised benefits can be measured by comparing the market value of assets with:

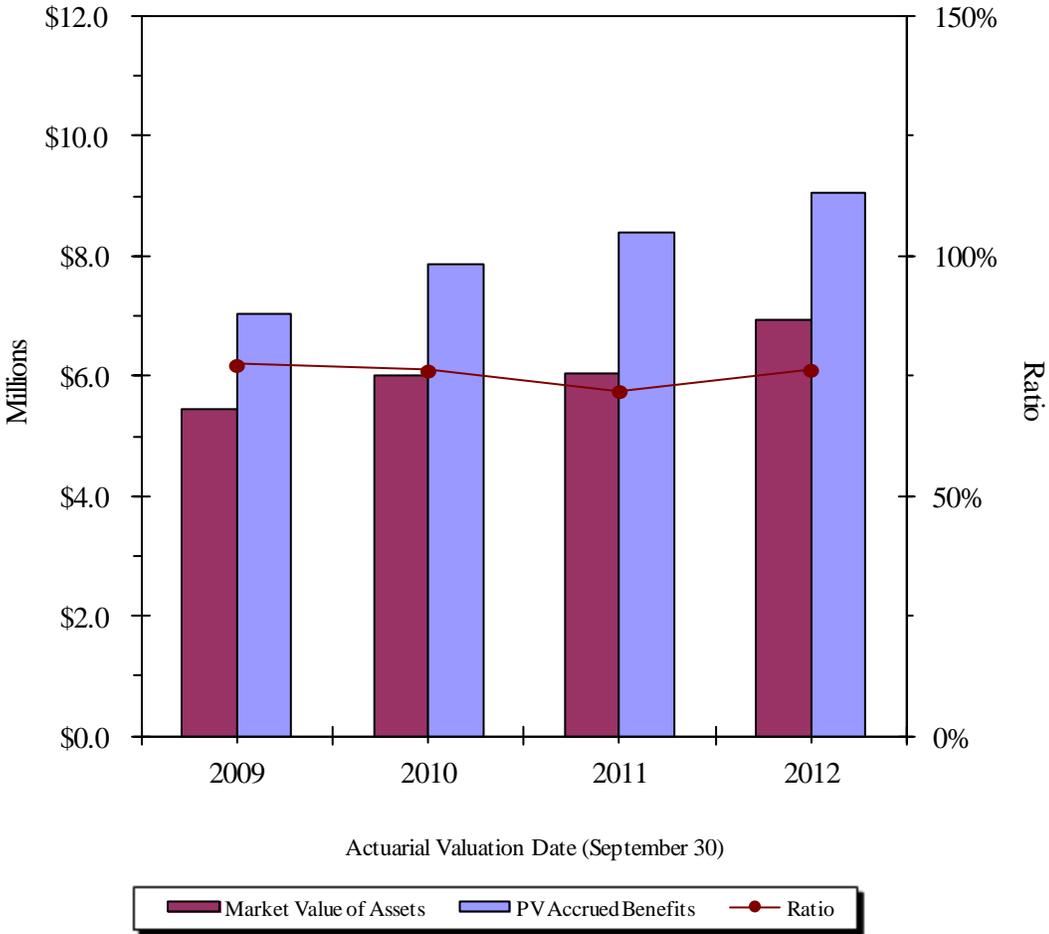
1. The actuarial present value of projected benefits payable to those already receiving benefits and to vested terminations, and
2. The actuarial present value of accrued benefits payable to active participants. This amount is based on benefits earned to date without future credited service or salary increases.

The total of the two items should generally be fully covered by assets. That portion of the total of the two items covered by assets should increase over time. Often assets continue to grow beyond the actuarial present value of these two items.

Increases in benefits will, of course, adversely affect the trend in the years when such increases are first reflected in the actuarial values. Although different actuarial assumptions would be used in the event of a termination of the program, this test shows how much of the benefits accrued to date might be covered by assets in the event of a plan freeze using the valuation assumptions.

|  | <b>Police Officers</b> |                  |                  |
|--|------------------------|------------------|------------------|
|  | <b>9/30/2012</b>       | <b>9/30/2011</b> | <b>9/30/2010</b> |
| 1. Accumulated Contributions of Active Members                         | \$ 381,408             | \$ 333,818       | \$ 298,857       |
| 2. APV of Projected Benefits in Pay Status and for Vested Terminations | 6,752,314              | 5,999,606        | 5,122,509        |
| 3. APV of Accrued Benefits for Active Participants (Employer Portion)  | <u>1,934,476</u>       | <u>2,074,844</u> | <u>2,454,890</u> |
| 4. Total   | 9,068,198              | 8,408,268        | 7,876,256        |
| 5. Market Value of Assets  | 6,934,693              | 6,056,405        | 6,010,877        |
| 6. Assets as % of Total  | 76 %                   | 72 %             | 76 %             |

## Ratio of Market Value of Assets to Present Value of Accrued Benefits



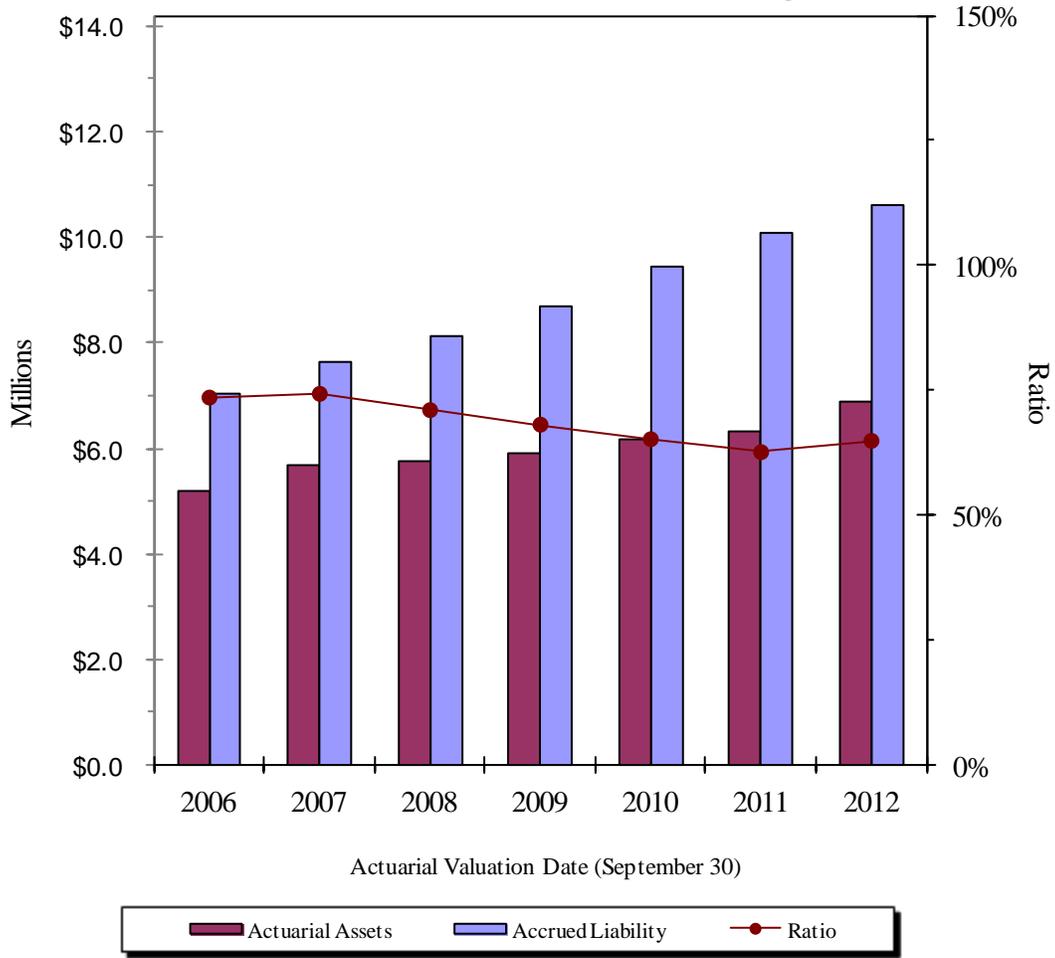
## Long Term Solvency

Over the longer term, the solvency of an ongoing plan can be measured by comparing the Actuarial Value of Assets to an amount known as the Actuarial Accrued Liability (AAL) under the Entry Age Actuarial Cost Method. This item has often been called the "past service liability". Its derivation differs from the short term solvency value derivation in several ways. The short term solvency liability number is based on the benefits accrued to date by the participants while the long term solvency liability number is based on what the normal costs accrued to date by the employer. In addition, the short term solvency asset number is the market value, while the long term asset number is the actuarial value of assets. As in the case of the short term solvency values, the AAL is affected immediately by any revisions in benefits or assumptions. The accumulation of assets to equal the AAL can be considered a long range funding goal.

| <b>Valuation Date</b> | <b>Actuarial Value of Assets<br/>(in Thousands)</b> | <b>Actuarial Accrued Liability<br/>(in Thousands)</b> | <b>% of AAL Covered by Assets</b> |
|-----------------------|---|---|-----------------------------------|
| 9/30/02               | \$ 4,230  | \$ 5,334  | 79 %                              |
| 9/30/03 *             | 4,373   | 5,986   | 73                                |
| 9/30/04               | 4,534   | 6,405   | 71                                |
| 9/30/05               | 4,775   | 6,997   | 68                                |
| 9/30/06               | 5,175   | 7,034   | 74                                |
| 9/30/07 *             | 5,663   | 7,620   | 74                                |
| 9/30/08               | 5,764   | 8,112   | 71                                |
| 9/30/09 *             | 5,922   | 8,689   | 68                                |
| 9/30/10 *             | 6,164   | 9,449   | 65                                |
| 9/30/11               | 6,305   | 10,065  | 63                                |
| 9/30/12               | 6,880   | 10,600  | 65                                |

*\*Reflects change in benefits, actuarial assumptions and/or method.*

## Ratio of Actuarial Value of Assets to Actuarial Accrued Liability



## ACTUARIAL GAINS AND LOSSES

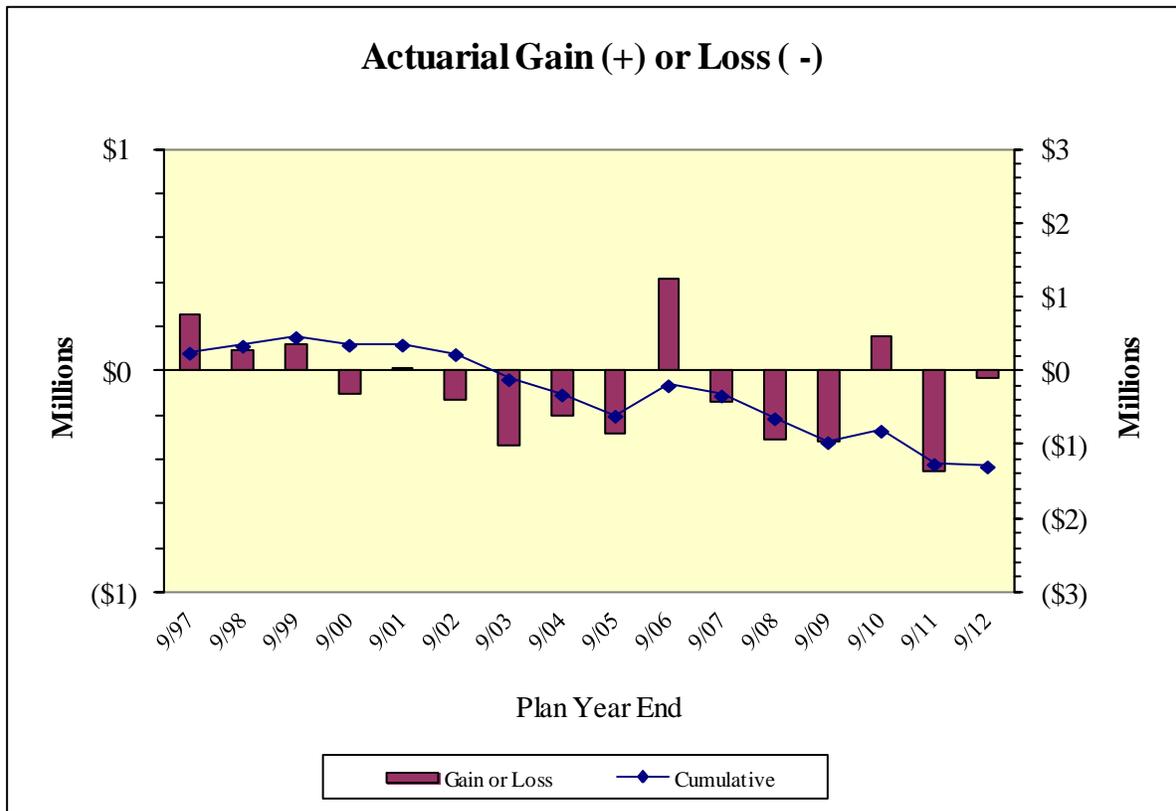
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The assumptions used to anticipate mortality, employment turnover, investment income, expenses, salary increases, and other factors have been based on long range trends and expectations. Actual experience can vary from these expectations. The variance is measured by the gain and loss for the period involved. If significant long term experience reveals consistent deviation from what has been expected and that deviation is expected to continue, the assumptions should be modified. The net actuarial gain (loss) for the past year is computed as follows:

| Derivation of Experience Gain (Loss) |  |             |
|--------------------------------------|--|-------------|
| 1.                                   | Last Year's UAAL   | \$3,759,831 |
| 2.                                   | Last Year's Employer Normal Cost   | 270,003     |
| 3.                                   | Last Year's Actual City Contribution                                       | 628,898     |
| 4.                                   | Interest at the assumed rate on:   |             |
|                                      | a. 1 for one year  | 300,786     |
|                                      | b. 2 for half a year   | 10,800      |
|                                      | c. 3 from dates paid   | 25,156      |
|                                      | d. a + b - c   | 286,430     |
| 5.                                   | This Year's Expected UAAL<br>1 + 2 - 3 + 4d                                | 3,687,366   |
| 6.                                   | This Year's Actual UAAL (before any<br>changes in benefits or assumptions) | 3,720,063   |
| 7.                                   | Net Actuarial Gain (Loss): (5) - (6)                                       | (32,697)    |
| 8.                                   | Gain (Loss) due to investments   | 16,160      |
| 9.                                   | Gain (Loss) due to other sources   | (48,856)    |

Net actuarial gains (losses) in previous years have been as follows:

| Year Ended | Actuarial Gain (Loss) | Cumulative Gain (Loss) |
|------------|-----------------------|------------------------|
| 9/30/1997  | 249,395               | 249,395                |
| 9/30/1998  | 95,019                | 344,414                |
| 9/30/1999  | 117,618               | 462,032                |
| 9/30/2000  | (103,871)             | 358,161                |
| 9/30/2001  | 1,389                 | 359,550                |
| 9/30/2002  | (128,212)             | 231,338                |
| 9/30/2003  | (339,563)             | (108,225)              |
| 9/30/2004  | (207,808)             | (316,033)              |
| 9/30/2005  | (287,225)             | (603,258)              |
| 9/30/2006  | 411,559               | (191,699)              |
| 9/30/2007  | (137,906)             | (329,604)              |
| 9/30/2008  | (308,022)             | (637,626)              |
| 9/30/2009  | (323,582)             | (961,208)              |
| 9/30/2010  | 154,731               | (806,477)              |
| 9/30/2011  | (451,201)             | (1,257,678)            |
| 9/30/2012  | (32,697)              | (1,290,375)            |

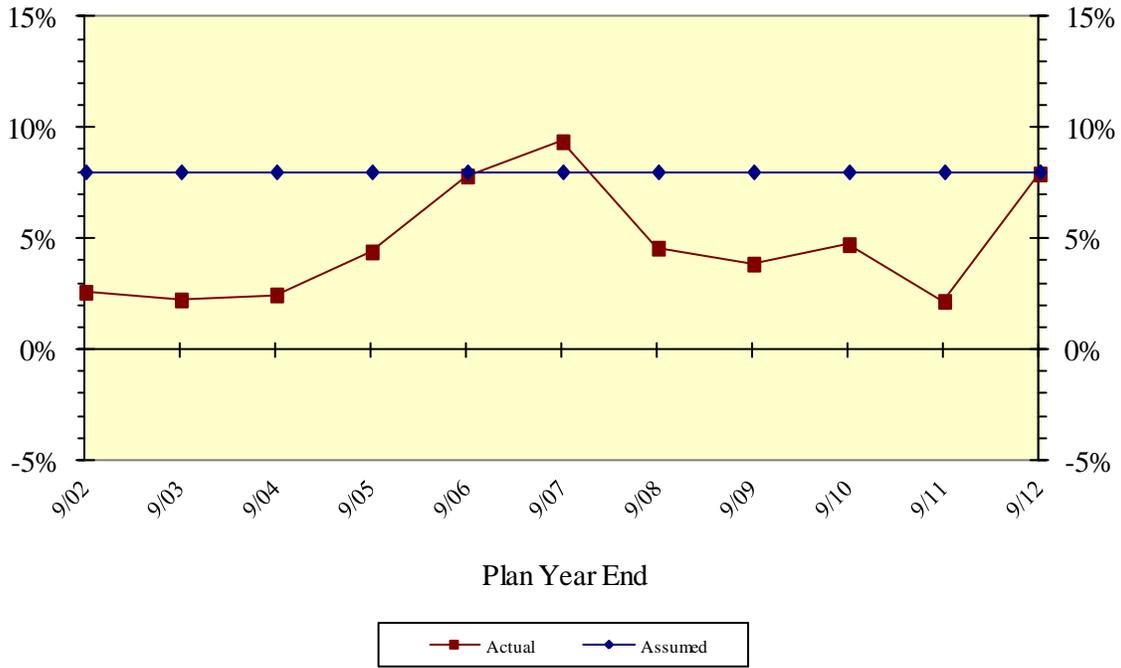


The fund earnings and salary increase assumptions have considerable impact on the cost of the Plan so it is important that they are in line with the actual experience. The following table shows the history of actuarial fund earnings and salary increase rates compared to the assumed rates.

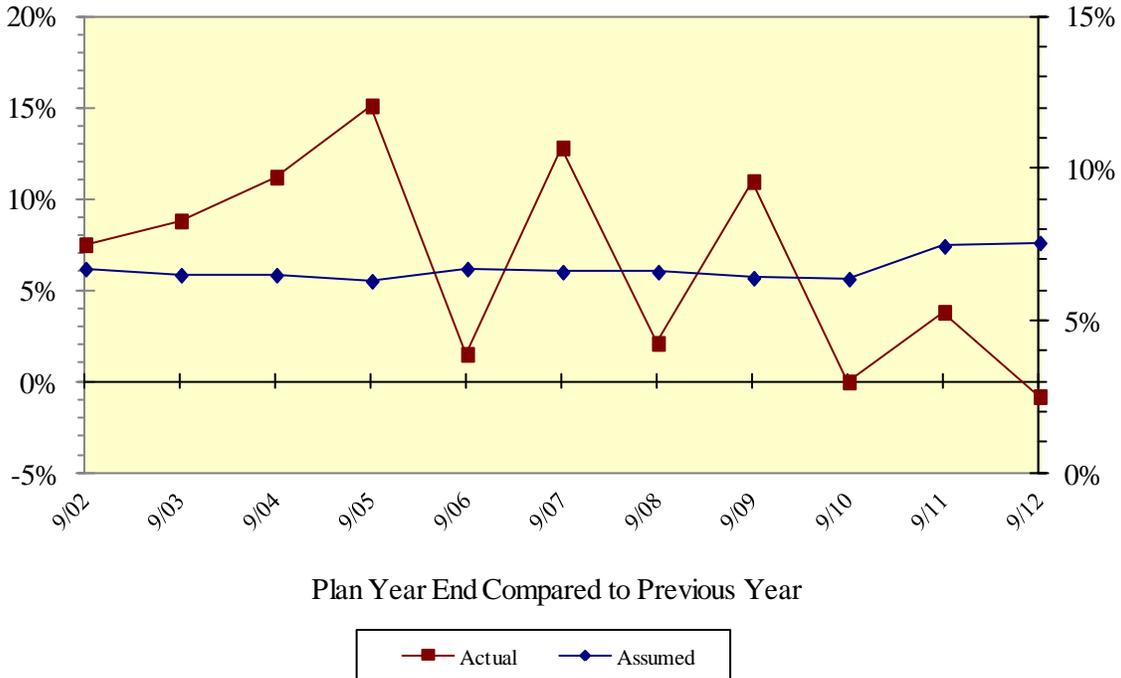
| Year Ending | Investment Return |         | Salary Increases |         |
|-------------|-------------------|---------|------------------|---------|
|             | Actuarial         | Assumed | Actual           | Assumed |
| 9/30/2002   | 2.6 %             | 8.0 %   | 7.5 %            | 6.7 %   |
| 9/30/2003   | 2.2               | 8.0     | 8.8              | 6.5     |
| 9/30/2004   | 2.4               | 8.0     | 11.2             | 6.5     |
| 9/30/2005   | 4.4               | 8.0     | 15.1             | 6.3     |
| 9/30/2006   | 7.8               | 8.0     | 1.5              | 6.7     |
| 9/30/2007   | 9.4               | 8.0     | 12.8             | 6.6     |
| 9/30/2008   | 4.6               | 8.0     | 2.1              | 6.6     |
| 9/30/2009   | 3.8               | 8.0     | 11.0             | 6.4     |
| 9/30/2010   | 4.7               | 8.0     | (0.0)            | 6.4     |
| 9/30/2011   | 2.2               | 8.0     | 3.8              | 7.4     |
| 9/30/2012   | 7.9               | 8.0     | (0.8)            | 7.6     |
| Average     | 4.7 %             | ---     | 6.5 %            | ---     |

The actual investment return rates shown above are based on the actuarial value of assets. The actual salary increase rates shown above are the increases received by those active members who were included in the actuarial valuations both at the beginning and the end of each year.

### History of Investment Return - Actuarial Value of Assets



### History of Salary Increases

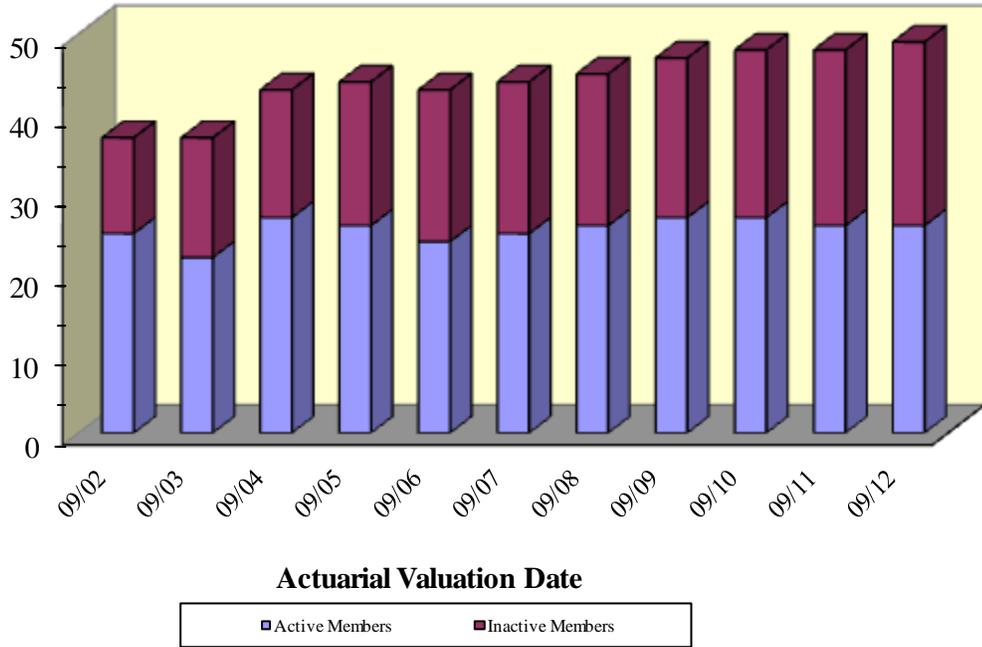


| RECENT HISTORY OF VALUATION RESULTS |                |                  |  |  |                     |                        |                      |
|-------------------------------------|----------------|------------------|--|--|---------------------|------------------------|----------------------|
| Valuation Date                      | Number of      |                  | Reported Covered Annual Payroll (in Thousands) | Actuarial Value of Assets (in Thousands) | UAAL (in Thousands) | Employer Normal Cost** |                      |
|                                     | Active Members | Inactive Members |  |  |                     | Amount (in Thousands)  | % of Covered Payroll |
| 9/30/02                             | 25             | 12               | \$ 1,195                                       | \$ 4,230                                 | \$ 1,104            | \$ 184                 | 15.44 %              |
| 9/30/03 *                           | 22             | 15               | 1,129  | 4,373                                    | 1,613               | 182                    | 16.12                |
| 9/30/04                             | 27             | 16               | 1,360  | 4,534                                    | 1,871               | 220                    | 16.21                |
| 9/30/05                             | 26             | 18               | 1,402  | 4,775                                    | 2,222               | 228                    | 16.25                |
| 9/30/06                             | 24             | 19               | 1,254  | 5,175                                    | 1,859               | 211                    | 16.84                |
| 9/30/07 *                           | 25             | 19               | 1,453  | 5,663                                    | 1,957               | 200                    | 13.74                |
| 9/30/08                             | 26             | 19               | 1,476  | 5,764                                    | 2,348               | 207                    | 13.99                |
| 9/30/09 *                           | 27             | 20               | 1,697  | 5,922                                    | 2,767               | 244                    | 14.36                |
| 9/30/10 *                           | 27             | 21               | 1,639  | 6,164                                    | 3,285               | 247                    | 15.08                |
| 9/30/11                             | 26             | 22               | 1,606  | 6,305                                    | 3,760               | 260                    | 16.17                |
| 9/30/12                             | 26             | 23               | 1,548  | 6,880                                    | 3,720               | 238                    | 15.37                |

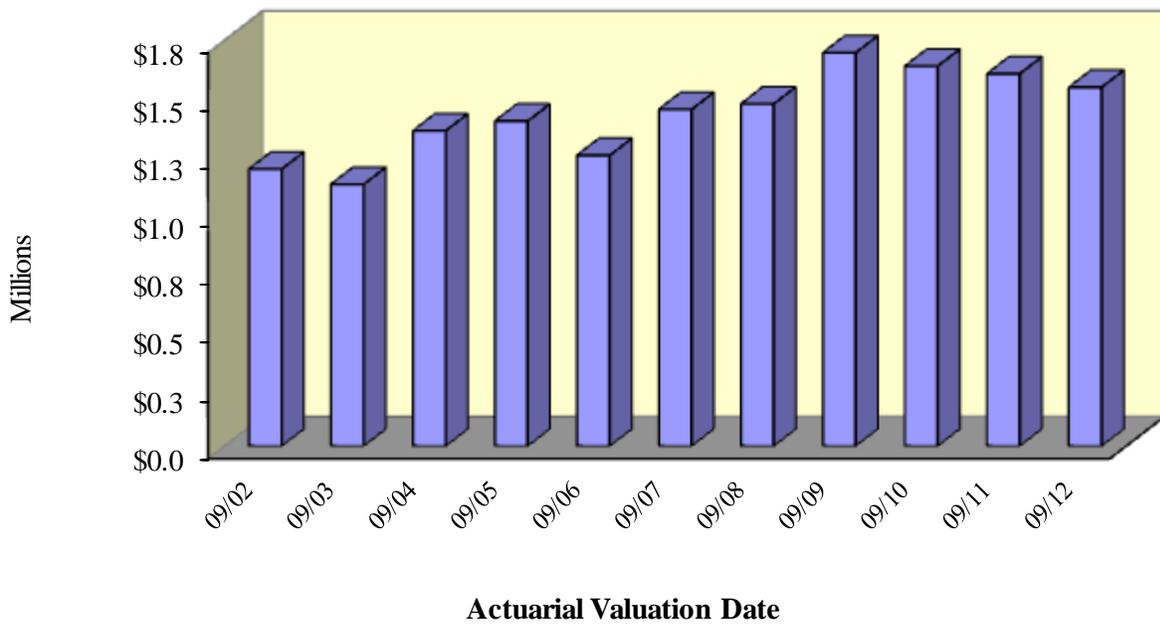
\* Reflects change in benefits, actuarial assumptions and/or method.

\*\* For Valuations prior to 2009, Normal Cost is a mid-year amount, excluding any administrative expenses. Beginning with 9/30/2009 valuation, Normal Cost is a beginning of the year figure, including administrative expenses. For all years, % of Covered Payroll is Normal Cost shown expressed as a % of Covered Valuation Payroll.

### Recent History of Number of Members



### Recent History of Covered Annual Payroll



| <b>RECENT HISTORY OF REQUIRED AND ACTUAL CONTRIBUTIONS</b> |   |                               |                              |                             |
|--|---|-------------------------------|------------------------------|-----------------------------|
| <b>Valuation</b>   | <b>End of Year To Which Valuation Applies</b> | <b>Required Contributions</b> |                              | <b>Actual Contributions</b> |
|  |   | <b>Amount</b>                 | <b>% of Expected Payroll</b> |                             |
| 9/30/05  | 9/30/07                                       | \$ 390,494                    | 25.70 %                      | \$ 390,494                  |
| 9/30/06  | 9/30/08                                       | 309,841                       | 22.80                        | 309,842                     |
| 9/30/07 *  | 9/30/09                                       | 345,280                       | 21.93                        | 345,280                     |
| 9/30/08  | 9/30/10                                       | 425,823                       | 26.62                        | 425,823                     |
| 9/30/09 *  | 9/30/11                                       | 487,032                       | 26.49                        | 487,032                     |
| 9/30/10 *  | 9/30/12                                       | 628,909                       | 36.18                        | 628,898                     |
| 9/30/11  | 9/30/13                                       | 606,741                       | 35.63                        | ---                         |
| 9/30/12  | 9/30/14                                       | 691,255                       | 42.10                        | ---                         |

\* Reflects change in benefits, actuarial assumptions and/or method.

# ACTUARIAL ASSUMPTIONS AND COST METHOD

---

## Valuation Methods

**Actuarial Cost Method** - The actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the **Entry-Age Actuarial Cost Method**. The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the estimated active status exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

**Financing of Unfunded Actuarial Accrued Liabilities** - The unfunded actuarial accrued liability was financed as a level percent of member payroll.

**Actuarial Value of Assets** - The Actuarial Value of Assets phases in the difference between the expected and actual return on market value of assets at the rate of 25% per year. The Actuarial Value of Assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the Market Value of plan assets and whose upper limit is 120% of the Market Value of plan assets. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than assumed rate, Actuarial Value of Assets will tend to be greater than Market Value.

## Valuation Assumptions

*The actuarial assumptions used* in the valuation are shown in this Section.

## Economic Assumptions

*The investment return rate* assumed in the valuations is 8.00% per year, compounded annually (net of investment expenses).

The *Wage Inflation Rate* assumed in this valuation was 4% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macro economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects. The **price inflation rate** assumed in this valuation was 3% per year.

The plan does not provide for automatic post-retirement *cost of living adjustments* (COLA) of retiree benefits. Ad-hoc COLA increases have been adopted in the past upon approval by the City. Most recently, such increases have been granted in 1987, 1996 and 2001. No assumptions are made regarding future adjustments. Any such increases will be recognized as they occur.

The **payroll growth rate** would be 4%, except that it is limited this year due the lower actual payroll growth rate over the last 10 years in accordance with the requirements of Ch. 112.64 (5) (a), F.S. The rate used to amortize the unfunded actuarial accrued liabilities is 2.62% per year.

The **total rate of return** is defined as earnings resulting from interest, dividends, realized gains (losses) and unrealized appreciation (depreciation) divided by the beginning market value of the fund, adjusted for cash flow during the year. Total rate of return is as the assumed to be 8.00% per year, net of investment-related expenses.

*The rates of salary increases* used in the valuation are illustrated in the following table.

| Annual Rates for Salary Increase for Sample Ages |       |      |      |      |      |
|--|-------|------|------|------|------|
| Age:   | 20    | 30   | 40   | 50   | 60   |
| Expected Increase                                | 23.0% | 9.8% | 6.6% | 5.7% | 5.0% |

## Demographic Assumptions

*The mortality table is a* gender specific RP-2000 Mortality Table with generational projections per the Society of Actuaries' Scale AA.

| <b>RP2000 Table Projected to Valuation Year</b> |                             |              |                           |              |
|---|-----------------------------|--------------|---------------------------|--------------|
| <b>Ages</b>                                     | <b>Value of</b>             |              | <b>Future Life</b>        |              |
|   | <b>\$1 Monthly for Life</b> |              | <b>Expectancy (Years)</b> |              |
|   | <b>Men</b>                  | <b>Women</b> | <b>Men</b>                | <b>Women</b> |
| 45  | \$142.54                    | \$144.21     | 36.75                     | 39.03        |
| 50  | 137.46                      | 139.60       | 32.00                     | 34.22        |
| 55  | 130.46                      | 133.31       | 27.31                     | 29.50        |
| 60  | 121.38                      | 125.21       | 22.80                     | 24.94        |
| 65  | 110.29                      | 115.34       | 18.56                     | 20.66        |
| 70  | 97.44                       | 103.87       | 14.69                     | 16.73        |
| 75  | 82.54                       | 90.81        | 11.18                     | 13.18        |
| 80  | 66.51                       | 76.26        | 8.15                      | 10.01        |

This assumption is used to measure the probabilities of each benefit payment being made after retirement. For active members, the probabilities of dying before retirement were based upon the same mortality table as members dying after retirement. All deaths before retirement are assumed to be non-service connected.

*The rates of retirement* used to measure the probability of eligible members retiring under normal and early retirement eligibility during the next year were as follows:

| <b>Normal Retirement/DROP</b> |   |
|-------------------------------|---|
| <b>Retirement Ages</b>        | <b>Percent of Eligible Employees Retiring</b> |
| 45                            | 40%   |
| 46                            | 10%   |
| 47                            | 10%   |
| 48                            | 10%   |
| 49                            | 40%   |
| 50                            | 50%   |
| 51                            | 50%   |
| 52-58                         | 50%   |
| 59                            | 50%   |
| 60                            | 50%   |
| 61-64                         | 50%   |
| 65                            | 100%  |

| <b>Early Retirement/DROP</b> |   |
|------------------------------|---|
| <b>Retirement Ages</b>       | <b>Percent of Eligible Employees Retiring</b> |
| 50                           | 10%   |
| 51                           | 10%   |
| 52                           | 10%   |
| 53                           | 10%   |
| 54                           | 10%   |

*Rates of separation from active membership* were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

| <b>Rates of Separation from Active Employment</b> |                         |                    |
|---|-------------------------|--------------------|
| <b>Sample Ages</b>                                | <b>Years of Service</b> | <b>Assumptions</b> |
| ALL   | 0                       | 34.00%             |
|   | 1                       | 23.00%             |
|   | 2                       | 16.00%             |
|   | 3                       | 12.00%             |
|   | 4                       | 9.00%              |
| 25  | 5 & Over                | 5.88%              |
| 30  |                         | 5.32%              |
| 35  |                         | 4.40%              |
| 40  |                         | 3.70%              |
| 45  |                         | 3.20%              |
| 50  |                         | 2.40%              |
| 55  |                         | 1.40%              |
| 60  |                         | 1.00%              |

*Rates of Disability* among after members

| <b>Sample Ages</b> | <b>Percent Becoming Disabled Within Next Year</b> |              |
|--------------------|---|--------------|
|                    | <b>Men</b>  | <b>Women</b> |
| 20                 | 0.14%   | 0.14%        |
| 25                 | 0.15%   | 0.15%        |
| 30                 | 0.18%   | 0.18%        |
| 35                 | 0.23%   | 0.23%        |
| 40                 | 0.30%   | 0.30%        |
| 45                 | 0.51%   | 0.51%        |
| 50                 | 1.00%   | 1.00%        |
| 55                 | 1.55%   | 1.55%        |
| 60                 | 0.00%   | 0.00%        |

The mortality table was set forward ten years for projecting disability costs.

## Miscellaneous and Technical Assumptions

|  |  |
|--|--|
| <b><i>Administrative &amp; Investment Expenses</i></b> | Annual administrative expenses are assumed to be equal to the actual expenses paid during the preceding fiscal year. Investment expenses are offset against gross investment income. Assumed administrative expenses are added to the Normal Cost.   |
| <b><i>Benefit Service</i></b>                          | Exact fractional service is used to determine the amount of benefit payable.   |
| <b><i>Decrement Operation</i></b>                      | Disability and mortality decrements do not operate during the first 5 years of service. Disability and separation do not operate during retirement eligibility.  |
| <b><i>Decrement Timing</i></b>                         | Decrements of all types are assumed to occur mid year.   |
| <b><i>Eligibility Testing</i></b>                      | Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.   |
| <b><i>Forfeitures</i></b>                              | Vested members who terminate with a benefit worth less than 100% of their own accumulated contributions were assumed to forfeit their vested benefit.  |
| <b><i>Incidence of Contributions</i></b>               | Employer contributions are assumed to be received in 12 equal monthly installments. Member contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. |
| <b><i>Marriage Assumption</i></b>                      | 80% of members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female participants and female spouses are assumed to be three years younger than male participants for active member valuation purposes.                      |
| <b><i>Normal Form of Benefit</i></b>                   | The normal form of benefit is a life annuity with 10 year certain.   |
| <b><i>Pay Increase Timing</i></b>                      | Beginning of fiscal year. This is equivalent to assuming that reported pays represent the actual amount paid during the previous fiscal year.  |
| <b><i>Service Credit Accruals</i></b>                  | It is assumed that members accrue one year of service credit per year.   |

## GLOSSARY OF TERMS

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|   |   |
|---|---|
| <b>Actuarial Accrued Liability</b>          | The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”   |
| <b>Accrued Service</b>                      | The service credited under the plan which was rendered before the date of the actuarial valuation.  |
| <b>Actuarial Assumptions</b>                | Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation. |
| <b>Actuarial Cost Method</b>                | A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”  |
| <b>Actuarial Equivalent</b>                 | A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.  |
| <b>Actuarial Present Value</b>              | The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.   |
| <b>Amortization</b>                         | Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.  |
| <b>Experience Gain (Loss)</b>               | A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.   |
| <b>Normal Cost</b>                          | The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.  |
| <b>Reserve Account</b>                      | An account used to indicate that funds have been set aside for a specific purpose and is not generally available for other uses.  |
| <b>Unfunded Actuarial Accrued Liability</b> | The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”   |
| <b>Valuation Assets</b>                     | The value of current plan assets recognized for valuation purposes. Generally based on market value plus a portion of unrealized appreciation or depreciation.  |

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**SECTION C**  
**PENSION FUND INFORMATION**

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| <b>SUMMARY OF ASSETS</b>                  |                                  |                                  |
|---|----------------------------------|----------------------------------|
|   | <b>Year Ending<br/>9/30/2012</b> | <b>Year Ending<br/>9/30/2011</b> |
| <b>Cash and Securities - Market Value</b> |                                  |                                  |
| Cash and Cash Equivalents                 | \$ 26,902                        | \$ 29,766                        |
| Short Term Investments                    | 149,346                          | 228,286                          |
| Treasury and Agency Bonds & Notes         | 2,119,032                        | 1,813,241                        |
| Corporate Bonds                           | 1,209,542                        | 1,377,738                        |
| Common & Preferred Stocks                 | 3,507,733                        | 2,614,717                        |
| Other Fixed Income                        | 24,535                           | 83,532                           |
| Mutual or Pooled Bond Funds               | 0                                | 0                                |
| Mutual Funds                              | 0                                | 0                                |
| Other Securities - Participant Directed   | 68,961                           | 16,316                           |
| Total                                     | <u>7,106,051</u>                 | <u>6,163,596</u>                 |
| <b>Receivables and Accruals</b>           |                                  |                                  |
| Member Contribution                       | 0                                | 0                                |
| Additional Employer Contribution          | 0                                | 0                                |
| Interest and Dividends                    | 18,265                           | 29,883                           |
| Total                                     | <u>18,265</u>                    | <u>29,883</u>                    |
| <b>Payables</b>                           |                                  |                                  |
| Benefits-DROP Reserve                     | 69,169                           | 16,620                           |
| Lump Sum Distributions                    | 0                                | 0                                |
| Excess Premium Tax Liability              | 120,454                          | 120,454                          |
| Other                                     | 0                                | 0                                |
| Total                                     | <u>189,623</u>                   | <u>137,074</u>                   |
| <b>Net Assets - Market Value</b>          | <b>\$ 6,934,693</b>              | <b>\$ 6,056,405</b>              |

| <b>PENSION FUND INCOME AND DISBURSEMENTS</b> |                                  |                                  |
|--|----------------------------------|----------------------------------|
|  | <b>Year Ending<br/>9/30/2012</b> | <b>Year Ending<br/>9/30/2011</b> |
| <b>Market Value at Beginning of Period</b>   | \$ 6,056,405                     | \$ 6,010,957                     |
| <b>Income</b>                                |                                  |                                  |
| Member Contributions                         | 75,667                           | 79,200                           |
| State Contributions                          | 88,795                           | 86,391                           |
| Employer Contribution                        | 540,103                          | 400,641                          |
| Interest and Dividends                       | 144,410                          | 144,229                          |
| Realized and Unrealized Gain (Loss)          | 698,385                          | (69,342)                         |
| Total Income                                 | <u>1,547,360</u>                 | <u>641,119</u>                   |
| <b>Disbursements</b>                         |                                  |                                  |
| Monthly Benefit Payments                     | 599,459                          | 512,386                          |
| Lump Sum Distributions                       | 0                                | 0                                |
| Refund of Contributions                      | 5,478                            | 6,853                            |
| Increase in Excess Premium Tax Liability     | 0                                | 0                                |
| Investment Related Expenses                  | 38,225                           | 37,299                           |
| Other Administrative Expenses                | 25,910                           | 39,133                           |
| Insurance Premiums                           | <u>0</u>                         | <u>0</u>                         |
| Total Disbursements                          | 669,072                          | 595,671                          |
| <b>Net Increase During Period</b>            | \$ 878,288                       | \$ 45,448                        |
| <b>Market Value at End of Period</b>         | \$ 6,934,693                     | \$ 6,056,405                     |

**DEFERRED RETIREMENT OPTION PLAN (DROP)  
BENEFITS HELD IN RESERVE**

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State Statutes require that the value of assets be offset by the total accumulated balance of DROP payments being held in reserve for those participating in the DROP plan. A reconciliation of the accumulated balance to be recognized is provided in the table below.

| <b>RECONCILIATION OF DROP ACCOUNTS</b> |            |
|--|------------|
| Value at beginning of year             | \$ 16,316  |
| Payments credited to accounts          | + 51,860   |
| Investment Earnings credited           | + 785      |
| Withdrawals from accounts              | - <u>0</u> |
| Value at end of year                   | 68,961     |

## ACTUARIAL VALUE OF ASSETS

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**As of September 30, 2012**

Valuation assets are calculated using a smoothed market value over a period of four (4) years, as prescribed under Internal Revenue Procedure 2000-40. The asset value determined under this method will be adjusted to be no greater than 120% and no less than 80% of the fair market value.

Under this method, the actuarial value of assets is equal to the market value of assets less a decreasing fraction ( $1/n$ th per year, where  $n$  equals the number of years in the smoothing period) of the gain or loss for each of the preceding 3 years.

Under this method, a gain or loss for a year is determined by calculating the difference between the expected market value of the assets at the valuation date and the actual market value of the assets at the valuation date. The expected value of the assets for the year is the market value of the assets at the valuation date for the prior year brought forward with interest at the valuation interest rate to the valuation date for the current year plus contributions minus disbursements (i.e., benefits paid and expenses), all adjusted with interest at the valuation rate to the valuation date for the current year. If the expected value is less than the market value, the difference is a gain. Conversely, if the expected value is greater than the market value, the difference is a loss.

Calculation of Valuation Assets is shown on the following page.

**DEVELOPMENT OF FUNDING VALUE OF ASSETS AS OF SEPTEMBER 30**

|  | <b>2010</b>      | <b>2011</b>      | <b>2012</b>      | <b>2013</b>  |
|--|------------------|------------------|------------------|--------------|
| A. Preliminary actuarial value from prior year                           | \$ 5,921,648     | \$ 6,164,269     | \$ 6,305,176     | \$ 6,880,124 |
| B. Market value beginning of prior year                                  | 5,457,479        | 6,010,957        | 6,056,405        | 6,934,693    |
| C. Market value end of prior year  | 6,010,957        | 6,056,405        | 6,934,693        |              |
| D. Non-investment net cash flow<br>[contributions-(benefits & expenses)] | (35,838)         | 7,860            | 73,718           |              |
| E. Investment return   |                  |                  |                  |              |
| 1. Actual market value return net of investment<br>expenses: C - B - D   | 589,317          | 37,588           | 804,570          |              |
| 2. Expected return of 8.00%  | <u>435,165</u>   | <u>481,191</u>   | <u>487,461</u>   |              |
| 3. Excess/(shortfall) to be phased-in: E1 - E2                           | 154,152          | (443,603)        | 317,109          |              |
| F. Phased-in recognition of investment return<br>(4 Year Recognition)    |                  |                  |                  |              |
| 1. Current year: 25% of E3   | 38,538           | (110,901)        | 79,277           |              |
| 2. 25% of excess/(shortfall) from first prior year                       | 6,855            | 38,538           | (110,901)        | 79,277       |
| 3. 25% of excess/(shortfall) from second prior year                      | (282,636)        | 6,855            | 38,538           | (110,901)    |
| 4. 25% of excess/(shortfall) from third prior year                       | 80,537           | (282,636)        | 6,855            | 38,538       |
| 5. Total phased-in recognition of investment return                      | <u>(156,706)</u> | <u>(348,144)</u> | 13,769           | 6,914        |
| G. Actuarial value end of year   |                  |                  |                  |              |
| 1. Preliminary actuarial value end of year:<br>A + D + E2 + F5           | 6,164,269        | 6,305,176        | 6,880,124        |              |
| 2. Upper corridor limit: 120% of C                                       | 7,213,149        | 7,267,686        | 8,321,632        |              |
| 3. Lower corridor limit: 80% of C  | 4,808,766        | 4,845,124        | 5,547,754        |              |
| 4. Actuarial value end of year *   | <b>6,164,269</b> | <b>6,305,176</b> | <b>6,880,124</b> |              |
| H. Difference between market value and actuarial value                   | (153,312)        | (248,771)        | 54,569           |              |
| I. Ratio of Funding Value to Market Value                                | 103%             | 104%             | 99%              |              |

\* Offset for DROP Reserve made prior to the calculation of valuation assets.

## INVESTMENT RATE OF RETURN

---

The investment rate of return has been calculated on the following bases:

- Basis 1 - Cost Value: Interest, dividends and realized gains (losses) divided by the beginning cost value of the fund, adjusted for cash flow during the year. Not illustrated below.
- Basis 2 - Market Value: Interest, dividends, realized gains (losses) and unrealized appreciation (depreciation) divided by the beginning market value of the fund, adjusted for cash flow during the year. This figure is normally called the Total Rate of Return.
- Basis 3 - Actuarial Value: Investment earnings recognized in the Actuarial Value of Assets divided by the weighted average of the Actuarial Value of Assets during the year.

| Year Ended                               | Investment Rate of Return |                 |
|--|---------------------------|-----------------|
|  | Market Value              | Actuarial Value |
| 9/30/02                                  | (6.8) %                   | 2.6 %           |
| 9/30/03                                  | 9.5                       | 2.2             |
| 9/30/04                                  | 6.7                       | 2.4             |
| 9/30/05                                  | 8.5                       | 4.4             |
| 9/30/06                                  | 8.8                       | 7.8             |
| 9/30/07                                  | 14.2                      | 9.4             |
| 9/30/08                                  | (11.7)                    | 4.6             |
| 9/30/09                                  | 8.5                       | 3.8             |
| 9/30/10                                  | 10.8                      | 4.7             |
| 9/30/11                                  | 1.2                       | 2.2             |
| 9/30/12                                  | 13.9                      | 7.9             |
| Average Compounded<br>Rate of Return for |                           |                 |
| 5 Years                                  | 4.1 %                     | 4.6 %           |
| 10 Years                                 | 6.8 %                     | 4.9 %           |

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**SECTION D**

**FINANCIAL ACCOUNTING INFORMATION**

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**FASB NO. 35 INFORMATION**

| A. Valuation Date   | September 30, 2012 | September 30, 2011 |
|---|--------------------|--------------------|
| <b>B. Actuarial Present Value of Accumulated Plan Benefits</b>                        |                    |                    |
| 1. Vested Benefits  |                    |                    |
| a. Members Currently Receiving Payments   | \$ 6,557,492       | \$ 5,782,820       |
| b. Terminated Vested Members  | 194,822            | 216,786            |
| c. Other Members  | 2,188,725          | 2,206,538          |
| d. Total  | <u>8,941,039</u>   | <u>8,206,144</u>   |
| 2. Non-Vested Benefits  | 127,159            | 202,124            |
| 3. Total Actuarial Present Value of Accumulated Plan Benefits: 1d + 2                 | 9,068,198          | 8,408,268          |
| 4. Accumulated Contributions of Active Members  | 381,408            | 333,818            |
| <b>C. Changes in the Actuarial Present Value of Accumulated Plan Benefits</b>         |                    |                    |
| 1. Total Value at Beginning of Year   | 8,408,268          | 7,876,256          |
| 2. Increase (Decrease) During the Period Attributable to:                             |                    |                    |
| a. Plan Amendment   | 0                  | 0                  |
| b. Change in Actuarial Assumptions  | 0                  | 0                  |
| c. Latest Member Data, Benefits Accumulated and Decrease in the Discount Period       | 1,264,867          | 1,051,251          |
| d. Benefits Paid (Including DROP Reserve)   | (604,937)          | (519,239)          |
| e. Net Increase   | <u>659,930</u>     | <u>532,012</u>     |
| 3. Total Value at End of Period   | 9,068,198          | 8,408,268          |
| D. Market Value of Assets   | 6,934,693          | 6,056,405          |
| E. Total Actuarial Present Value of Accumulated Plan Benefits using FRS discount rate | 9,311,897          | 8,636,760          |
| F. Actuarial Assumptions - See page entitled Actuarial Assumptions and Methods        |                    |                    |

**SCHEDULE OF FUNDING PROGRESS**  
(Dollar amounts in thousands)  
(GASB Statement No. 25)

| Actuarial Valuation Date | Actuarial Value of Assets<br>(a) | Actuarial Accrued Liability (AAL) - Entry Age<br>(b) | Unfunded AAL (UAAL)<br>(b) - (a) | Funded Ratio<br>(a) / (b) | Covered Payroll<br>(c) | UAAL As % of Covered Payroll<br>(b - a) / c |
|--------------------------|----------------------------------|--|----------------------------------|---------------------------|------------------------|---|
| 9/30/2003 *              | \$ 4,373                         | \$ 5,986   | \$ 1,613                         | 73.1 %                    | \$ 1,129               | 142.9 %                                     |
| 9/30/2004                | 4,534                            | 6,405  | 1,871                            | 70.8                      | 1,360                  | 137.6                                       |
| 9/30/2005                | 4,775                            | 6,997  | 2,222                            | 68.2                      | 1,402                  | 158.5                                       |
| 9/30/2006                | 5,175                            | 7,034  | 1,859                            | 73.6                      | 1,254                  | 148.2                                       |
| 9/30/2007 *              | 5,663                            | 7,620  | 1,957                            | 74.3                      | 1,453                  | 134.7                                       |
| 9/30/2008                | 5,764                            | 8,112  | 2,348                            | 71.1                      | 1,476                  | 159.1                                       |
| 9/30/2009 *              | 5,922                            | 8,689  | 2,767                            | 68.2                      | 1,697                  | 163.1                                       |
| 9/30/2010 *              | 6,164                            | 9,449  | 3,285                            | 65.2                      | 1,639                  | 200.4                                       |
| 9/30/2011                | 6,305                            | 10,065   | 3,760                            | 62.6                      | 1,606                  | 234.1                                       |
| 9/30/2012                | 6,880                            | 10,600   | 3,720                            | 64.9                      | 1,548                  | 240.3                                       |

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
(GASB Statement No. 25)**

| <b>Fiscal Year Ending</b> | <b>Contribution Rate As a % of Payroll</b> | <b>Annual Required Contribution</b> | <b>Actual Contribution</b> | <b>Percentage Contributed</b> |
|---------------------------|--|-------------------------------------|----------------------------|-------------------------------|
| 9/30/2003 *               | 18.05 %                                    | \$ 225,991                          | \$ 226,041                 | 100 %                         |
| 9/30/2004                 | 18.74                                      | 242,637                             | 242,637                    | 100                           |
| 9/30/2005                 | 24.31                                      | 297,361                             | 297,361                    | 100                           |
| 9/30/2006                 | 23.76                                      | 350,161                             | 350,160                    | 100                           |
| 9/30/2007 *               | 25.70                                      | 390,494                             | 390,494                    | 100                           |
| 9/30/2008                 | 22.80                                      | 309,841                             | 309,842                    | 100                           |
| 9/30/2009 *               | 21.93                                      | 345,280                             | 345,280                    | 100                           |
| 9/30/2010 *               | 26.62                                      | 425,823                             | 425,823                    | 100                           |
| 9/30/2011                 | 26.49                                      | 487,032                             | 487,032                    | 100                           |
| 9/30/2012                 | 36.18                                      | 628,909                             | 628,898                    | 100                           |

*\* Reflects change in benefits, actuarial assumptions and/or method.*

*Note: Annual Required Contribution (if any), above, is payable by the City and includes 185/175 State Premium Tax Money up to allowable limit.*

**ANNUAL PENSION COST AND NET PENSION OBLIGATION  
(GASB STATEMENT NO. 27)**

| <b>Employer FYE September 30</b>                                | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|-------------|
| A. Annual Required Contribution (ARC)                           | \$ 628,909  | \$ 487,032  | \$ 425,823  |
| B. Interest on Net Pension Obligation (Asset)                   | -           | -           | -           |
| C. Adjustment to ARC  | -           | -           | -           |
| D. Annual Pension Cost (APC): (A + B - C)                       | 628,909     | 487,032     | 425,823     |
| E. Contributions made   | 628,898     | 487,032     | 425,823     |
| F. Increase (decrease) in Net Pension Obligation(Asset): (D -E) | -           | -           | -           |
| G. Net Pension Obligation(Asset) at beginning of year           | -           | -           | -           |
| H. Net Pension Obligation(Asset) at end of year: (F+ G)         | -           | -           | -           |

**THREE YEAR TREND INFORMATION**

| Fiscal<br>Year Ending | Annual Pension<br>Cost (APC) | Actual<br>Contribution | Percentage of<br>APC Contributed | Net Pension<br>Obligation |
|-----------------------|------------------------------|------------------------|----------------------------------|---------------------------|
| 9/30/2010             | \$ 425,823                   | \$ 425,823             | 100.0 %                          | \$ -                      |
| 9/30/2011             | 487,032                      | 487,032                | 100.0                            | -                         |
| 9/30/2012             | 628,909                      | 628,898                | 100.0                            | -                         |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**GASB Statement No. 25 and No. 27**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional Information as of the latest actuarial valuation:

|                                       |  |
|---------------------------------------|--|
| Valuation Date                        | September 30, 2012                               |
| Contribution Rates:                   |  |
| Employer                              | 36.69%   |
| Plan Members                          | 4.815%   |
| Actuarial Cost Method                 | Entry Age  |
| Amortization Method                   | Closed, Level % of Pay Method                    |
| Equivalent Single Amortization Period | 13.31 Years                                      |
| Asset Valuation Method                | See Section entitled "Actuarial Value of Assets" |
| Actuarial Assumptions:                |  |
| Investment rate of return             | 8.0%   |
| Projected salary increases            | 5.0% - 23.0%                                     |
| Includes price inflation              | 3.0%   |
| Cost-of-living adjustments            | None   |
| Payroll Growth Assumption             | 2.62%  |

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**SECTION E**  
**MISCELLANEOUS INFORMATION**

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| <b>RECONCILIATION OF MEMBERSHIP DATA</b>                                  |                                    |                                    |
|---|------------------------------------|------------------------------------|
|   | <b>From 9/30/11<br/>To 9/30/12</b> | <b>From 9/30/10<br/>To 9/30/11</b> |
| <b>A. Active Members</b>  |                                    |                                    |
| 1. Number Included in Last Valuation                                      | 26                                 | 27                                 |
| 2. New Members Included in Current Valuation                              | 2                                  | 3                                  |
| 3. Non-Vested Employment Terminations                                     | (1)                                | (2)                                |
| 4. Vested Employment Terminations   | 0                                  | 0                                  |
| 5. Service Retirements  | 0                                  | (1)                                |
| 6. Disability Retirements   | 0                                  | 0                                  |
| 7. Deaths   | 0                                  | 0                                  |
| 8. DROP Retirement  | (1)                                | (1)                                |
| 9. Transfer to Another Division   | <u>0</u>                           | <u>0</u>                           |
| 10. Number Included in This Valuation                                     | 26                                 | 26                                 |
| <b>B. Terminated Vested Members</b>                                       |                                    |                                    |
| 1. Number Included in Last Valuation                                      | 5                                  | 6                                  |
| 2. Additions from Active Members  | 0                                  | 0                                  |
| 3. Lump Sum Payments/Withdrawals  | 0                                  | 0                                  |
| 4. Payments Commenced   | (1)                                | 0                                  |
| 5. Deaths   | 0                                  | 0                                  |
| 6. Other-Returned to Work   | <u>0</u>                           | <u>(1)</u>                         |
| 7. Number Included in This Valuation                                      | 4                                  | 5                                  |
| <b>C. Service Retirees, Disability Retirees, Beneficiaries &amp; DROP</b> |                                    |                                    |
| 1. Number Included in Last Valuation                                      | 17                                 | 15                                 |
| 2. Additions from Active Members  | 0                                  | 1                                  |
| 3. Additions entering the DROP  | 1                                  | 1                                  |
| 4. Additions from Terminated Vested Members                               | 1                                  | 0                                  |
| 5. Deaths Resulting in No Further Payments                                | 0                                  | 0                                  |
| 6. Deaths Resulting in New Survivor Benefits                              | 0                                  | 0                                  |
| 7. End of Certain Period - No Further Payments                            | 0                                  | 0                                  |
| 8. Other -- Lump Sum Distributions  | <u>0</u>                           | <u>0</u>                           |
| 9. Number Included in This Valuation                                      | 19                                 | 17                                 |

**STATISTICAL DATA**

**Active Members as of September 30, 2012**

| <b>Age Group</b> | <b>0-4</b> | <b>5-9</b> | <b>10-14</b> | <b>15-19</b> | <b>20-24</b> | <b>25-29</b> | <b>30 &amp; Up</b> | <b>Totals</b> | <b>Avg. Pay</b> |
|------------------|------------|------------|--------------|--------------|--------------|--------------|--------------------|---------------|-----------------|
| 20-24 NO.        | 1          | 0          | 0            | 0            | 0            | 0            | 0                  | 1             | 39,071          |
| 25-29 NO.        | 3          | 1          | 0            | 0            | 0            | 0            | 0                  | 4             | 45,654          |
| 30-34 NO.        | 1          | 2          | 0            | 0            | 0            | 0            | 0                  | 3             | 49,593          |
| 35-39 NO.        | 3          | 4          | 2            | 1            | 0            | 0            | 0                  | 10            | 62,566          |
| 40-44 NO.        | 1          | 1          | 1            | 0            | 0            | 0            | 0                  | 3             | 56,799          |
| 45-49 NO.        | 0          | 1          | 1            | 0            | 1            | 0            | 0                  | 3             | 80,673          |
| 50-54 NO.        | 0          | 1          | 0            | 1            | 0            | 0            | 0                  | 2             | 69,785          |
| 55-59 NO.        | 0          | 0          | 0            | 0            | 0            | 0            | 0                  | 0             | 0               |
| 60-64 NO.        | 0          | 0          | 0            | 0            | 0            | 0            | 0                  | 0             | 0               |
| 65&UP NO.        | 0          | 0          | 0            | 0            | 0            | 0            | 0                  | 0             | 0               |
| <b>TOT NO.</b>   | <b>9</b>   | <b>10</b>  | <b>4</b>     | <b>2</b>     | <b>1</b>     | <b>0</b>     | <b>0</b>           | <b>26</b>     | <b>59,543</b>   |

**NUMBER ADDED TO AND REMOVED FROM ACTIVE MEMBERSHIP**

| Year Ended<br>September 30 | Number Added During Year |          | Terminations During Year |            |                       |            |                 |            |            |          |          |            | Active Members<br>End of Year |
|----------------------------|--------------------------|----------|--------------------------|------------|-----------------------|------------|-----------------|------------|------------|----------|----------|------------|-------------------------------|
|                            | A                        | E        | Normal Retirement        |            | Disability Retirement |            | Died-in Service |            | Withdrawal |          |          |            |                               |
|                            |                          |          | A                        | E          | A                     | E          | A               | E          | Vested     | Other    | Total    |            |                               |
| 2002                       | 3                        | 4        | 0                        | 0.1        | 0                     | 0.1        | 0               | 0.0        | 0          | 4        | 4        | 1.7        | 25                            |
| 2003                       | 3                        | 6        | 0                        | 0.1        | 1                     | 0.1        | 0               | 0.0        | 2          | 3        | 5        | 1.3        | 22                            |
| 2004                       | 9                        | 4        | 0                        | 0.3        | 0                     | 0.0        | 0               | 0.0        | 2          | 2        | 4        | 1.1        | 27                            |
| 2005                       | 3                        | 4        | 2                        | 0.6        | 0                     | 0.0        | 0               | 0.0        | 1          | 1        | 2        | 1.9        | 26                            |
| 2006                       | 2                        | 4        | 1                        | 1.0        | 0                     | 0.0        | 0               | 0.0        | 1          | 2        | 3        | 1.8        | 24                            |
| 2007                       | 4                        | 3        | 1                        | 0.2        | 0                     | 0.0        | 0               | 0.0        | 0          | 2        | 2        | 1.5        | 25                            |
| 2008                       | 5                        | 4        | 1                        | 0.1        | 0                     | 0.0        | 0               | 0.0        | 0          | 3        | 3        | 1.6        | 26                            |
| 2009                       | 5                        | 4        | 1                        | 0.1        | 0                     | 0.0        | 0               | 0.0        | 0          | 3        | 3        | 1.6        | 27                            |
| 2010                       | 3                        | 3        | 0                        | 0.4        | 1*                    | 0.0        | 0               | 0.0        | 1*         | 1        | 3        | 1.4        | 27                            |
| 2011                       | 3                        | 4        | 2                        | 1.0        | 0                     | 0.0        | 0               | 0.0        | 0          | 2        | 2        | 2.5        | 26                            |
| <b>2012</b>                | <b>2</b>                 | <b>2</b> | <b>1</b>                 | <b>1.0</b> | <b>0</b>              | <b>0.1</b> | <b>0</b>        | <b>0.0</b> | <b>0</b>   | <b>1</b> | <b>1</b> | <b>2.5</b> | <b>26</b>                     |
| 5-yr. Totals<br>2008-2012  | 18                       | 17       | 5                        | 2.6        | 1                     | 0.1        | 0               | 0.0        |            |          | 12       | 9.5        |                               |
| Expected<br>for 2013       |                          |          |                          | 0.4        |                       | 0.1        |                 | 0.0        |            |          |          | 2.2        |                               |

A Represents actual number.

E Represents expected number.

\* Member retroactively approved for duty disability benefits

**Retired Members and Beneficiary Data  
Historical Schedule\*\***

| September 30         | Added    |                  | Removed  |          | Net Increase |               | End of Year |                | Expected Removals |              |
|----------------------|----------|------------------|----------|----------|--------------|---------------|-------------|----------------|-------------------|--------------|
|                      | No.      | Pensions         | No.      | Pensions | No.          | Pensions      | No.         | Pensions       | No.               | Pensions     |
| 2002                 |          |                  |          |          |              |               | 9           | 205,162        | 0.1               | 1,960        |
| 2003                 | 2        | 30,148           |          |          | 2            | 30,148        | 11          | 235,310        | 0.1               | 2,072        |
| 2004                 |          |                  |          |          |              |               | 11          | 235,310        | 0.2               | 2,683        |
| 2005                 | 2        | 106,731          |          |          | 2            | 106,731       | 13          | 342,041        | 0.2               | 2,933        |
| 2006                 | 1        | 34,521           | 1        | 9,796    | 0            | 24,724        | 13          | 366,765        | 0.2               | 3,809        |
| 2007                 | 1        | 43,455           |          |          | 1            | 43,455        | 14          | 410,220        | 0.2               | 3,922        |
| 2008                 | 2        | 63,781           |          |          | 2            | 63,781        | 16          | 474,001        | 0.2               | 4,510        |
| 2009                 |          |                  |          |          |              |               | 16          | 474,001        | 0.2               | 5,200        |
| 2010                 |          | 6,319 *          | 1        | 14,935   |              | (8,616)       | 15          | 465,385        | 0.2               | 5,200        |
| 2011                 | 2        | 84,469           | 0        |          | 2            | 84,469        | 17          | 549,854        | 0.2               | 5,200        |
| <b>2012</b>          | <b>2</b> | <b>68,629 **</b> | <b>0</b> |          | <b>2</b>     | <b>68,629</b> | <b>19</b>   | <b>618,483</b> | <b>0.3</b>        | <b>5,761</b> |
| Expected for<br>2013 |          |                  |          |          |              |               |             |                | 0.2               | 4,950        |

\* On-time adjustment correcting past underpayments

\*\* Includes member retroactively approved for duty disability

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**SECTION F**  
**SUMMARY OF PLAN PROVISIONS**

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**A. Ordinances:**

Plan established under the Code of Ordinances for the City of Atlantic Beach, Florida, Part II, Chapter 2, Article VI, Division 4 and was most recently amended and restated under Ordinance No. 58-08-34 passed and adopted on August 11, 2008. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes (F.S.), F. S. 185 and the Internal Revenue Code.

**B. Effective Date**

December 22, 1975, Restated under Division 4 on July 10, 2000

**C. Plan Year**

October 1 through September 30

**D. Type of Plan**

Qualified, governmental defined benefit retirement plan; for GASB purposes it is a sole employer plan.

**E. Eligibility Requirements**

All full time sworn City police officers, who normally work more than 1,000 hours annually and are not an elected officials, temporary or contractual employees, or executives or departments heads who have elected not to participate, will become members on the date of employment.

**F. Credited Service**

Service is measured as the total number of years and fractional parts of years, but credited to the nearest one-twelfth (1/12) of a year. No service will be credited for any periods of employment for which the member received a refund of their employee contributions.

**G. Compensation**

Base salary or wages paid for services rendered to the City including longevity pay, overtime pay, cost of living payments, holiday and personal leave taken and incentive pay. Compensation excludes payments of unused personal leave, uniform or equipment allowances, extra duty or special detail pay on behalf of a second party employer, or any reimbursement of expenses.

**H. Final Average Compensation (FAC)**

Average monthly rate of Compensation during the highest 60 consecutive months of Credited Service out of the last 120 months preceding the date of termination or retirement.

## **I. Normal Retirement**

Eligibility: A participant may retire on the first day of the month coincident with or next following the earlier of:

- (1) 25 years of Credited Service regardless of age, or
- (2) age 50 with 20 years of Credited Service, or
- (3) age 55 with 10 years of Credited Service, or
- (4) age 60 with 5 years of Credited Service.

Benefit: 3.00% of FAC times Credited Service. Benefit is limited to 100% of FAC.

Normal Form of Benefit: 10 Years Certain and Life thereafter; other options are also available.

## **J. Early Retirement**

Eligibility: A member may elect to retire earlier than the Normal Retirement Eligibility upon attainment of age 50 with 10 years of Credited Service.

Benefit: The Normal Retirement Benefit is actuarially reduced by 3% for each year by which the member's Early Retirement date precedes the member's normal retirement age.

Normal Form of Benefit: 10 year certain and life thereafter; other options are also available.

## **K. Delayed Retirement**

Same as Normal Retirement taking into account compensation earned and service credited until the date of actual employment termination.

## **L. Service Connected Disability**

Eligibility: Any member who becomes totally and permanently disabled due to a service related injury or illness and is deemed unable to render useful and efficient service to the City as a police officer is eligible for a disability benefit.

Benefit: The benefit is calculated as if the member was eligible for Normal Retirement and is payable retroactively to the later of; the last day on payroll, or the date of application for disability benefits. The minimum for a service connected disability benefit is 42% of FAC.

Normal Form of Benefit: 10 year certain and life thereafter.

### **M. Non-Service Connected Disability**

**Eligibility:** Any member with 5 or more years of Credited Service who becomes totally and permanently disabled and is deemed unable to render useful and efficient service to the City as a police officer is eligible for a disability benefit.

**Benefit:** The benefit is calculated as if the member was eligible for Normal Retirement and is payable retroactively to the later of; the last day on payroll, or the date of application for disability benefits. The minimum for a non-service connected disability benefit is 25% of FAC if the member had at least 8 1/3 years of Credited Service.

**Normal Form of Benefit:** 10 year certain and life thereafter.

### **N. Pre-Retirement Death**

**Eligibility:** Any member with 5 or more years of Credited Service is eligible for a death benefit.

**Benefit:** Upon the death of a member, the designated beneficiary shall be paid an actuarially reduced standard ten (10) year certain and life survivor pension notwithstanding that the member may not have satisfied the conditions for retirement. If there are no beneficiaries designated by the member, then a benefit shall be paid to the surviving spouse or, if no surviving spouse, a reduced benefit will be paid to the member's unmarried children.

If spouse is receiving benefits described above, no children's benefits are payable. If spouse is not receiving benefits, children under age 19, or age 23 if an unmarried fulltime student, will receive equal shares of 50% of the member's Normal Retirement Benefit under the Life Annuity option based upon service and FAC as of the date of death.

**Normal Form of Benefit:** Payable for the life of the member's beneficiary or spouse. Children's benefits are payable until age 19 or age 23 if an unmarried fulltime student.

### **O. Post Retirement Death**

Benefit determined by the form of benefit elected upon retirement.

### **P. Optional Forms**

In lieu of electing the Normal Form of benefit, the optional forms of benefits available to all retirees are a Life Annuity, or the 50%, 66 2/3%, 75% or 100% Joint and Survivor options. A Social Security option is also available for members retiring prior to the time they are eligible for Social Security retirement benefits.

## Q. Vested Termination

**Eligibility:** A participant has earned a non-forfeitable right to Plan benefits after the completion of 5 or more years of Credited Service.

**Benefit:** The benefit is the member's vested portion of the accrued Normal Retirement Benefit as of the date of termination. Benefit begins on the Normal Retirement date.

**Normal Form of Benefit:** 10 year certain and life thereafter; other options are also available.

Member's terminating employment with less than 5 years of Credited Service will receive a refund of their own accumulated contributions.

## R. Refunds

**Eligibility:** All members with less than 5 years are eligible. Optionally, vested participants may also withdraw their contributions in lieu of the deferred benefits otherwise due. Vested members may delay withdrawal of funds for up to five years.

**Benefit:** The member who terminates employment receives a lump-sum payment of their employee contributions.

## S. Member Contributions

4.815% of Compensation.

## T. Premium Tax Monies

A distribution of casualty insurance premium tax monies collected by the State pursuant to Chapter 185 Florida Statutes.

## U. Employer Contributions

The amount determined by the actuary to pay the normal cost and an amortization of the unfunded actuarial accrued liabilities, along with employee contributions and Chapter 185 monies. Following are contribution rates per recent valuations:

| <b>Plan Year<br/>Beginning</b> | <b>City</b> | <b>Sec 185</b> | <b>Member</b> | <b>Total</b> |
|--------------------------------|-------------|----------------|---------------|--------------|
| 10/1/2007                      | 16.27%      | 6.53%          | 4.815%        | 27.62%       |
| 10/1/2008                      | 16.44%      | 5.49%          | 4.815%        | 26.75%       |
| 10/1/2009                      | 21.07%      | 5.55%          | 4.815%        | 31.44%       |
| 10/1/2010                      | 21.66%      | 4.83%          | 4.815%        | 31.31%       |
| 10/1/2011                      | 31.07%      | 5.11%          | 4.815%        | 41.00%       |
| 10/1/2012                      | 30.41%      | 5.21%          | 4.815%        | 40.44%       |

## V. Cost of Living Increases

The plan does not provide for automatic post-retirement cost of living adjustments (COLA) of retiree benefits.

## W. Changes from Previous Valuation

See the Discussion of Valuation Results Section of this report under the Revisions in Benefits heading.

## X. Gain-sharing benefits

Not applicable.

## Y. Deferred Retirement Option Plan

Eligibility: Upon obtaining Normal or Early Retirement eligibility  
All members must make a written election to participate in the DROP.

Benefit: The member's Credited Service and FAC are frozen upon entry into the DROP. The monthly retirement benefit as described under Normal Retirement is calculated based upon the frozen Credited Service and FAC. Benefits for members entering the DROP upon Early Retirement eligibility will be actuarially reduced as described for Early Retirement.

Maximum  
DROP Period: 60 months

Interest  
Credited: Earnings to the DROP account will be accordance with the self-directed options selected by the participant.

Normal Form  
of Benefit: Lump Sum or roll-over to a qualified retirement account.

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**SECTION G**

**COMPARATIVE SUMMARY OF PRINCIPAL  
VALUATION RESULTS**

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| COMPARATIVE SUMMARY OF<br>PRINCIPAL VALUATION RESULTS                                     | September 30, 2012 | September 30, 2011 |
|---|--------------------|--------------------|
| <b>A. Participant Data</b>  |                    |                    |
| Number Included:  |                    |                    |
| Actives   | 26                 | 26                 |
| Service Retirees & Beneficiaries  | 15                 | 14                 |
| Disability Retirees   | 4                  | 3                  |
| Terminated Vested Members   | 4                  | 5                  |
| Total Members and Beneficiaries   | 49                 | 48                 |
| Total Annual Payroll  | \$1,548,109        | \$1,605,814        |
| Expected Annual Payroll in Contribution Year  | 1,641,918          | 1,703,120          |
| Total Annualized Benefits   |                    |                    |
| Service Retirees & Beneficiaries  | 544,324            | 493,822            |
| Disability Retirees   | 74,159             | 56,032             |
| Terminated Vested Members   | 41,865             | 55,564             |
| <b>B. Assets (Market Value)</b>   |                    |                    |
| Cash and Short Term Investments   | 176,248            | 258,052            |
| Treasury and Agency Bonds & Notes   | 2,119,032          | 1,813,241          |
| Corporate Bonds   | 1,209,542          | 1,377,738          |
| Common & Preferred Stocks   | 3,507,733          | 2,614,717          |
| Mutual Fund Bonds   | 0                  | 0                  |
| Mutual Fund Stocks  | 0                  | 0                  |
| Other Securities  | 93,496             | 99,848             |
| Net Receivables & Payables  | (171,358)          | (107,191)          |
| Total   | 6,934,693          | 6,056,405          |
| Actuarial Value   | 6,880,124          | 6,305,176          |
| Assets include:   |                    |                    |
| Accumulated active member contributions<br>(with interest if applicable)                  | 381,408            | 333,818            |
| <b>C. Actuarial present value of accrued benefits</b>                                     |                    |                    |
| (i) Vested accrued benefits   |                    |                    |
| Retired members and beneficiaries (incl DROP)   | 6,557,492          | 5,782,820          |
| Terminated members  | 194,822            | 216,786            |
| Active members (includes non-forfeitable members<br>contributions of 381,408 and 333,818) | 2,188,725          | 2,206,538          |
| Total   | 8,941,039          | 8,206,144          |
| (ii) Non-vested accrued benefits  | 127,159            | 202,124            |
| (iii) Total actuarial p.v. of accrued benefits  | 9,068,198          | 8,408,268          |
| (iv) Actuarial p.v. of accrued benefits at begin. of year                                 | 8,408,268          | 7,876,256          |
| (v) Changes attributable to:  |                    |                    |
| Amendments  | none               | none               |
| Assumption change   | none               | none               |
| Operation of decrements   | 1,264,867          | 1,051,251          |
| Benefit payments  | (604,937)          | (519,239)          |
| Other (Method Change)   | 0                  | 0                  |
| (vi) Net change   | 659,930            | 532,012            |
| (vii) Actuarial p.v. of accr. benefits at end of year                                     | 9,068,198          | 8,408,268          |

| <b>COMPARATIVE SUMMARY OF<br/>PRINCIPAL VALUATION RESULTS</b>                         | <b>September 30, 2012</b> | <b>September 30, 2011</b> |
|---|---------------------------|---------------------------|
| <b>D. Liabilities- Actuarial Present Value of Future Benefits</b>                     |                           |                           |
| <b>1. Active Members</b>  |                           |                           |
| Service Retirement Benefits   | \$5,649,742               | \$5,958,209               |
| Vesting Benefits  | 436,838                   | 444,331                   |
| Disability Benefits   | 222,369                   | 230,062                   |
| Preretirement Death Benefits  | 48,102                    | 50,614                    |
| Return of Member Contributions  | 76,094                    | 77,178                    |
| Total Actives   | 6,433,145                 | 6,760,394                 |
| <b>2. Inactive Members</b>  |                           |                           |
| Service Retirees & Beneficiaries  | 5,799,923                 | 5,241,594                 |
| Disability Retirees   | 757,569                   | 541,226                   |
| Terminated Vested Members   | 194,822                   | 216,786                   |
| Total Inactive Members  | 6,752,314                 | 5,999,606                 |
| <b>3. Total Present Value for All Members</b>   | 13,185,459                | 12,760,000                |
| Total Present Value of:   |                           |                           |
| Future Salaries   | 13,864,778                | 14,472,886                |
| Future Employee Contributions   | 668,282                   | 697,593                   |
| Future Contributions from Other Sources   | 5,637,053                 | 5,757,231                 |
| <b>Derivation of Current Employer<br/>Unfunded Actuarial Accrued Liability (UAAL)</b> |                           |                           |
| a. Total UAAL for Prior Valuation Date  | \$3,759,831               | \$3,284,921               |
| b. Employer Normal Cost for this period   | 270,003                   | 257,142                   |
| c. Interest accrued on (a) and (b)  | 311,586                   | 273,080                   |
| d. Contributions for this period  | 628,898                   | 487,032                   |
| e. Interest accrued on (d)  | 25,156                    | 19,481                    |
| f. Changes due to:  |                           |                           |
| Assumptions   | 0                         | 0                         |
| Plan Amendment  | 0                         | 0                         |
| Cost Method (Asset Method)  | 0                         | 0                         |
| Actuarial (Gain) Loss   | 32,697                    | 451,201                   |
| g. Total Current UAAL: a+b+c-d-e+f  | 3,720,063                 | 3,759,831                 |

| <b>Present Value of Accrued Benefits<br/>at FRS Discount Rate</b> | <b>September 30, 2012</b> | <b>September 30, 2011</b> |
|---|---------------------------|---------------------------|
| Present Value of Accrued Benefits                                 |                           |                           |
| Vested  | 132,553                   | 209,718                   |
| Non-Vested  | 9,179,344                 | 8,427,042                 |
| Total   | 9,311,897                 | 8,636,760                 |
| Market Value of Assets  | 6,934,693                 | 6,056,405                 |
| Funded Ratio  | 74.5%                     | 70.1%                     |

| Original and Current Unfunded Actuarial Accrued Liabilities |                          |                 |                      |                    |                    |
|---|--------------------------|-----------------|----------------------|--------------------|--------------------|
| Date  | Item Description         | Years Remaining | Amortization Payment | Original Amount    | Current Unfunded   |
| 9/30/1993   | Original                 | 1               | (\$9,686)            |                    | (\$9,686)          |
| 9/30/1998   | Experience Gain          | 1               | (17,138)             | (95,019)           | (17,138)           |
| 9/30/1999   | Experience Gain          | 2               | (20,969)             | (117,618)          | (40,895)           |
| 9/30/2000   | Experience Loss          | 3               | 17,584               | 103,871            | 50,170             |
| 9/30/2001   | Experience Gain          | 4               | (223)                | (1,389)            | (827)              |
| 9/30/2002   | Experience Loss          | 5               | 19,517               | 128,212            | 88,339             |
| 9/30/2003   | Experience Loss          | 6               | 49,146               | 339,563            | 260,522            |
| 9/30/2004   | Experience Loss          | 7               | 28,642               | 207,808            | 172,913            |
| 9/30/2005   | Experience Loss          | 8               | 37,740               | 287,225            | 254,236            |
| 9/30/2006   | Experience Gain          | 9               | (51,597)             | (411,559)          | (381,874)          |
| 9/30/2007   | Experience Loss          | 10              | 16,507               | 137,906            | 132,596            |
| 9/30/2008   | Experience Loss          | 11              | 35,220               | 308,022            | 304,048            |
| 9/30/2009   | Experience Loss          | 12              | 33,841               | 323,582            | 311,434            |
| 9/30/2010   | Experience Gain          | 13              | (15,421)             | (154,731)          | (150,276)          |
| 9/30/2011   | Experience Loss          | 14              | 42,453               | 451,201            | 435,546            |
| 9/30/2012   | Experience Loss          | 15              | 3,042                | 32,697             | 32,697             |
| 9/30/1993   | Benefit Changes          | 11              | 66,268               | 442,232            | 572,072            |
| 9/30/1994   | Benefit Changes          | 12              | (1,804)              | (12,597)           | (16,598)           |
| 9/30/1996   | Benefit Changes          | 14              | 4,700                | 35,914             | 48,216             |
| 9/30/1997   | Benefit Changes          | 15              | 1,113                | 8,892              | 11,961             |
| 9/30/2001   | Benefit Changes          | 19              | 8,542                | 81,627             | 106,548            |
| 9/30/2003   | Benefit Changes          | 21              | 12,991               | 144,006            | 171,656            |
| 9/30/2007   | Benefit Changes          | 25              | (3,931)              | (49,157)           | (56,930)           |
| 9/30/1995   | Assumption/Method Change | 13              | 44,297               | 323,633            | 431,660            |
| 9/30/1997   | Assumption/Method Change | 15              | 29,003               | 231,795            | 311,743            |
| 9/30/2009   | Assumption/Method Change | 27              | 2,898                | 40,694             | 43,554             |
| 9/30/2010   | Assumption/Method Change | 28              | 42,829               | 630,507            | 654,376            |
| <b>TOTAL</b>  |                          |                 | <b>\$375,564</b>     | <b>\$3,167,921</b> | <b>\$3,720,063</b> |

| COMPARATIVE SUMMARY OF<br>PRINCIPAL VALUATION RESULTS  | September 30, 2012 | September 30, 2011 |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
|--|--------------------|--------------------|------|----------------|------|-------------|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|------|---------|------|---------|------|---------|------|---------|
| <b>E. Pension Cost</b>   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Entry Age Normal Cost for:   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Service Retirement Benefits  | \$232,620          | \$242,113          |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Vesting Benefits   | 22,001             | 23,295             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Disability Benefits  | 14,029             | 14,607             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Preretirement Death Benefits   | 2,239              | 2,388              |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Return of Member Contributions   | 15,711             | 16,460             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Total Actives  | 286,600            | 298,863            |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Administrative Expenses  | 24,913             | 37,628             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Expected Member Contributions  | 73,610             | 76,872             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Total Employer Normal Cost   | 237,903            | 259,619            |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Payment Required to Amortize Unfunded Actuarial<br>Accrued Liability   | 375,564            | 278,845            |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Total Contribution at Valuation Date   | 613,467            | 538,464            |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Total Contribution Adjusted for Frequency of<br>Payments and Interest to Next Following Fiscal Year  | 691,255            | 606,741            |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| % of Expected Payroll  | 42.10%             | 35.63%             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Amount Expected to be Contributed by Members   | 79,058             | 82,005             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| % of Expected Payroll  | 4.815%             | 4.815%             |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| <b>F. Past Contributions- For the Fiscal Years Ended September 30 of 2011 and 2012:</b>  |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Required Contribution Determined in the Valuation as of  | September 30, 2010 | September 30, 2009 |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| by the Plan Sponsor  | \$628,909          | \$487,032          |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| by Members   | \$83,708           | \$88,530           |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| Actual Contribution for the Fiscal Year ended  | September 30, 2012 | September 30, 2011 |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| by the Plan Sponsor  | 628,898            | \$487,032          |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| by Members   | \$75,667           | \$79,200           |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| <b>G. Net experience (gain) loss during year:</b>  | <b>\$32,697</b>    | <b>\$451,201</b>   |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| <b>H. 1. Plan to Amortize Unfunded Actuarial Accrued Liability</b>   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 20 year funding of the Original Unfunded Actuarial Accrued Liability, 15 year funding of any<br>Gains or Losses and 30 year of adjustments due to benefit or assumption changes.   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2. Schedule Illustrating the Amortization of the Unfunded Actuarial Accrued Liability (UAAL)   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| <table border="1"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Projected UAAL</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">2013</td><td style="text-align: right;">\$3,612,066</td></tr> <tr><td style="text-align: center;">2014</td><td style="text-align: right;">3,455,052</td></tr> <tr><td style="text-align: center;">2015</td><td style="text-align: right;">3,249,929</td></tr> <tr><td style="text-align: center;">2016</td><td style="text-align: right;">3,036,290</td></tr> <tr><td style="text-align: center;">2017</td><td style="text-align: right;">2,792,869</td></tr> <tr><td style="text-align: center;">2022</td><td style="text-align: right;">1,626,532</td></tr> <tr><td style="text-align: center;">2028</td><td style="text-align: right;">716,164</td></tr> <tr><td style="text-align: center;">2030</td><td style="text-align: right;">617,335</td></tr> <tr><td style="text-align: center;">2034</td><td style="text-align: right;">404,678</td></tr> <tr><td style="text-align: center;">2035</td><td style="text-align: right;">357,262</td></tr> </tbody> </table> |                    |                    | Year | Projected UAAL | 2013 | \$3,612,066 | 2014 | 3,455,052 | 2015 | 3,249,929 | 2016 | 3,036,290 | 2017 | 2,792,869 | 2022 | 1,626,532 | 2028 | 716,164 | 2030 | 617,335 | 2034 | 404,678 | 2035 | 357,262 |
| Year   | Projected UAAL     |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2013   | \$3,612,066        |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2014   | 3,455,052          |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2015   | 3,249,929          |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2016   | 3,036,290          |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2017   | 2,792,869          |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2022   | 1,626,532          |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2028   | 716,164            |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2030   | 617,335            |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2034   | 404,678            |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 2035   | 357,262            |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |
| 3. Action taken since last actuarial valuation.<br>Contribution sufficient to satisfy the total required contribution.   |                    |                    |      |                |      |             |      |           |      |           |      |           |      |           |      |           |      |         |      |         |      |         |      |         |

**COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS**

I. 1. Three-Year Comparison of Actual and Assumed Salary Increases (Annualized)

| Year Ended | Actual | Assumed |
|------------|--------|---------|
| 9/30/2010  | 0.0%   | 6.4%    |
| 9/30/2011  | 3.8%   | 7.4%    |
| 9/30/2012  | (0.8)% | 7.6%    |

2. Three-Year Comparison of Investment Return (Actuarial Value)

| Year Ended | Actual | Assumed |
|------------|--------|---------|
| 9/30/2010  | 4.7%   | 8.0%    |
| 9/30/2011  | 2.2%   | 8.0%    |
| 9/30/2012  | 7.9%   | 8.0%    |

3. Average Annual Growth in Covered Payroll, Last Ten Years (if applicable)

| Valuation Date                  | Total Covered Payroll |
|---------------------------------|-----------------------|
| 9/30/2002                       | \$1,194,950           |
| 9/30/2003                       | 1,129,034             |
| 9/30/2004                       | 1,360,051             |
| 9/30/2005                       | 1,402,444             |
| 9/30/2006                       | 1,254,264             |
| 9/30/2007                       | 1,452,926             |
| 9/30/2008                       | 1,476,074             |
| 9/30/2009                       | 1,696,746             |
| 9/30/2010                       | 1,639,155             |
| 9/30/2011                       | 1,605,814             |
| 9/30/2012                       | 1,548,109             |
| Total % Increase Last Ten Years | 29.55%                |
| Annual % Increase               | 2.62%                 |
| Thirty-year Forecast            | 4.00%                 |

J. Benefits and Expenses of Plan not Explicitly or Implicitly Provided in Valuation

NONE

K. Trends not taken into Account but which are likely to Result in Future Cost Increases

NONE