

CITY OF HOLLY HILL  
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2011

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

# Foster & Foster

Actuaries and Consultants



February 8, 2012

Board of Trustees  
City of Holly Hill  
Police Officers' Pension Board  
1065 Ridgewood Avenue  
Holly Hill, FL 32117

Re: Holly Hill Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present this report of the annual actuarial valuation of the City of Holly Hill Police Officers' Retirement Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Holly Hill and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Holly Hill, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Holly Hill Police Officers' Retirement Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:



Patrick T. Donlan  
Enrolled Actuary #11-6595

PTD\rv

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Holly Hill Police Officers' Retirement Trust Fund, performed as of October 1, 2011, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended September 30, 2013.

The contribution requirements, compared with those developed in the January 17, 2012 Actuarial Impact Statement determined as of October 1, 2010, are as follows:

Valuation Date	10/1/10	10/1/11
Applicable Plan/Fiscal Year End	<u>9/30/12</u>	<u>9/30/13</u>
Total Required Contribution % of Total Annual Payroll	64.9%	71.3%
Member Contributions (Est.) % of Total Annual Payroll	5.0%	5.6%
Required City and State Cont. % of Total Annual Payroll	<b>59.9%</b>	<b>65.7%</b>
Applicable State Contribution * % of Total Annual Payroll	64,309 6.1%	64,309 6.1%
Balance from City* % of Total Annual Payroll	53.8%	59.6%

\* The City may use up to \$224,193 in State Monies, if received, in determining their bottom line requirement. For budgeting purposes, the required Sponsor Contribution (City and State) is 65.7% of Pensionable Earnings for the fiscal year ending September 30, 2013. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$224,193). Additionally the City has a shortfall of \$48.82 that must be paid in addition to the above requirements.


During the past 12 months, actuarial experience has been less favorable than expected, on the basis of the actuarial assumptions. The primary component of unfavorable experience included a 0.9% investment return (Actuarial Asset basis) that was less than the 7.5% assumption. These losses were partially offset by average increases in Pensionable Earnings that fell short of the assumed rate by approximately 5% and greater than anticipated turnover.

For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for DROP participants, is approximately 49% for the fiscal year ending September 30, 2013. Similarly, the City's funding requirement for the 2012 fiscal year is approximately 44% when an estimate for the DROP payroll is included. It is important to note that these funding rates are for illustration purposes only. The City should budget based on the percentages shown on page 1.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Patrick T. Donlan, ASA, EA, MAAA

By:   
Christine M. Laufer

### Plan Changes Since Prior Valuation

There have been no changes in benefits since the prior valuation. This valuation assumes, however, that the changes outlined in our Actuarial Impact Statement dated January 17, 2012, will be adopted (8.0% Member Contribution Rate and 10 year vesting for Members hired on and after July 1, 2011). The City has already begun taking out 8.0% Member Contributions as of the date this valuation was prepared.

### Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in actuarial assumptions or methods since the prior valuation. The payroll growth assumption, however, is limited to the historical 10-year average. Therefore, it was changed from 3.17% to 1.99% with this report.

## Comparative Summary of Principal Valuation Results

A. Participant Data	<u>10/1/2011</u>	<u>10/1/2010</u>
Number Included		
Actives	25	23
Service Retirees	11	9
Beneficiaries	2	2
Terminated Vested	1	1
Disability Retirees	2	2
DROP Members	3	5
Total	<u>44</u>	<u>42</u>
Total Annual Payroll	\$1,060,484	\$1,018,222
Payroll Under Assumed Ret. Age	1,060,484	1,018,222
Annual Rate of Payments to:		
Service Retirees	366,299	266,191
Beneficiaries	53,391	53,391
Terminated Vested	11,280	0
Disability Retirees	20,698	20,698
DROP Members	175,400	274,571
B. Assets		
Actuarial Value	6,198,433	6,291,928
Limited Value	6,198,433	6,291,928
Market Value	5,958,679	6,064,826
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	3,285,221	3,225,530
Disability Benefits	57,109	49,104
Death Benefits	30,938	29,363
Vested Benefits	944,720	971,076
Refund of Contributions	29,407	25,067
Service Retirees	4,296,699	2,997,851
Beneficiaries	398,175	411,056
Terminated Vested	65,358	2,077
Disability Retirees	167,591	172,673
DROP Members *	2,590,592	3,828,448
Excess State Monies Reserve	0	0
Total	<u>11,865,810</u>	<u>11,712,245</u>

\* Liabilities shown represent present value of future payments. Assets in item B., above, do not include accumulated DROP account balances.



C. Liabilities - (Continued)	<u>10/1/2011</u>	<u>10/1/2010</u>
Present Value of Future Salaries	7,255,920	7,168,595
PV of Future Member Cont's	403,114	358,430
EAN Normal Cost (Retirement)	175,145	171,710
EAN Normal Cost (Disability)	4,467	3,312
EAN Normal Cost (Death)	2,201	1,913
EAN Normal Cost (Vesting)	61,526	59,780
EAN Normal Cost (Refunds)	3,712	2,415
Total Normal Cost (Entry Age Method)	<u>247,051</u>	<u>239,130</u>
Present Value of Future Normal Costs (Entry Age)	1,263,491	1,334,164
Accrued Liability (Retirement)	2,093,636	2,021,531
Accrued Liability (Disability)	52,642	42,710
Accrued Liability (Death)	28,737	25,669
Accrued Liability (Vesting)	883,194	855,662
Accrued Liability (Refunds)	25,695	20,404
Accrued Liability (Inactives)	7,518,415	7,412,105
Excess State Monies Reserve	0	0
Total Actuarial Accrued Liability	<u>10,602,319</u>	<u>10,378,081</u>
Unfunded Actuarial Accrued Liability (UAAL)	4,403,886	4,086,153
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	7,518,415	7,412,105
Actives	806,594	671,882
Member Contributions	<u>406,926</u>	<u>400,119</u>
Total	8,731,935	8,484,106
Non-vested Accrued Benefits	<u>146,526</u>	<u>173,784</u>
Total Present Value Accrued Benefits	8,878,461	8,657,890
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	34,423	
Benefits Paid	(446,452)	
Interest	632,600	
Other	<u>0</u>	
Total:	220,571	

Valuation Date	10/1/2011	10/1/2010
Applicable to Fiscal Year Ending	<u>9/30/2013</u>	<u>9/30/2012</u>

## E. Pension Cost

Normal Cost (with interest) % of Total Projected Payroll	24.2	24.4
Administrative Expenses (with int.) % of Total Projected Payroll	2.8	3.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/11) % of Total Projected Payroll	44.3	37.5
Total Required Contribution % of Total Projected Payroll	71.3	64.9
Expected Member Contributions % of Total Projected Payroll	5.6	5.0
Expected City for Member Contr. % of Total Projected Payroll	0.0	0.0
Expected City & State Contrib. % of Total Projected Payroll	65.7	59.9

## F. Past Contributions

Plan Years Ending:	<u>9/30/2011</u>
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Total Required Contribution	547,397
City and State Requirement	496,881

## Actual Contributions Made:

Members	50,516
City	432,571
State	64,309
Total	<u>547,396</u>

G. Net Actuarial Gain (Loss)	290,092
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H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2011	4,403,886
2012	4,246,983
2013	4,068,615
2018	2,786,661
2023	1,797,362
2033	254,852
2038	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Earnings

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2011	1.0%	6.0%
Year Ended	9/30/2010	-0.9%	6.0%
Year Ended	9/30/2009	12.0%	6.0%

(ii) 3 Year Comparison of Investment Return on Actuarial Value

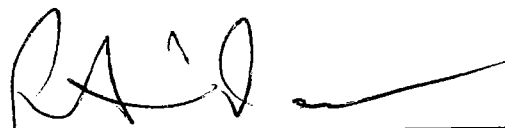
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2011	0.9%	7.5%
Year Ended	9/30/2010	3.4%	7.5%
Year Ended	9/30/2009	2.9%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2011	\$1,060,484
	10/1/2001	871,152
(b) Total Increase		21.7%
(c) Number of Years		10.00
(d) Average Annual Rate		1.99%

### Statement by Enrolled Actuary

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or 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.



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Patrick T. Donlan, EA, MAAA  
Enrolled Actuary #11-6595

A copy of this Report is to be furnished to the Division of Retirement within 60 days of receipt from the actuary at the following address:

Patricia Shoemaker  
Municipal Police and Fire  
Pension Trust Funds  
Division of Retirement  
Post Office Box 3010  
Tallahassee, FL 32315-3010

Mr. Keith Brinkman  
Bureau of Local  
Retirement Systems  
Post Office Box 9000  
Tallahassee, FL 32315-9000

# Reconciliation of Unfunded Actuarial Accrued Liabilities

(1) Unfunded Actuarial Accrued Liability as of October 1, 2010	4,086,153
(2) City and State Normal Cost Applicable for the year *	218,119
(3) Interest on (1) and (2)	322,820
(4) Sponsor Contributions to the System during the year ending September 30, 2011	496,880
(5) Interest on (4)	16,418
(6) Expected UAAL as of October 1, 2011 (1)+(2)+(3)-(4)-(5)	4,113,794
(7) Actual UAAL as of October 1, 2011	4,403,886
(8) Actuarial (Gain)/Loss as of October 1, 2011	290,092

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2011 Amount</u>	<u>Amortization Amount</u>
Method Change	10/1/2002	17	562,739	48,790
Loss Portion **	10/1/2002	17	562,739	48,790
Actuarial Gain	10/1/2003	17	(414,939)	(35,976)
Actuarial Loss	10/1/2004	17	1,428,894	123,887
Actuarial Gain	10/1/2005	17	(83,730)	(7,259)
Actuarial Loss	10/1/2006	17	61,280	5,313
Benefit Change	10/1/2006	25	38,928	2,727
Assumption Change	10/1/2007	26	926,689	63,723
Actuarial Loss	10/1/2007	17	5,531	480
Actuarial Loss	10/1/2008	7	633,973	105,469
Method Change	10/1/2008	17	253,577	21,985
Benefit Change	10/1/2008	27	(257,470)	(17,400)
Actuarial Loss	10/1/2009	8	193,915	28,930
Actuarial Loss	10/1/2010	9	201,668	27,403
Actuarial Loss	10/1/2011	10	290,092	36,343
			4,403,886	453,205

\* Includes \$29,900 for administrative expenses.

\*\* Estimated portion of original Base attributable to prior accumulated actuarial losses.

## ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

### Assumptions

<u>Mortality Rate</u>	RP 2000 Combined Healthy – Sex Distinct. Disabled lives are set forward 5 years.
<u>Interest Rate</u>	7.5% per year compounded annually, net of investment related expenses.
<u>Retirement Age</u>	Earlier of age 55 and 6 years of service, or the completion of 20 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing with eligibility for Early Retirement Age (age 50 with 6 years of Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
<u>Disability Rate</u>	See table below (1201).
<u>Termination Rate</u>	See table below (1305).
<u>Salary Increases</u>	6.0% per year until the assumed retirement age; see table below. Projected salary at retirement is increased 40% to account for non-regular compensation.
<u>Payroll Increase</u>	Up to 5.0% per year (1.99% for 10/1/11 Val).
<u>Cost of Living Adjustments</u>	2.0% per year for all retirees commencing 5 years after retirement (including disability retirees & beneficiaries of retirees).
<u>Administrative Expenses</u>	\$28,200 annually.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 50</u>
20	17.2%	0.03%	17.4%
30	15.0	0.04	31.2
40	8.2	0.07	55.8
50	1.7	0.18	100.0

### Funding Method

Entry Age Normal Actuarial Cost Method

## VALUATION NOTES

Total Annual Payroll is the annual rate of pay for the year preceding the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

## PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1990	41,108.50	_____ %
1991	42,016.95	2.2%
1992	40,235.97	-4.2%
1993	42,044.77	4.5%
1994	43,894.29	4.4%
1995	48,205.39	9.8%
1996	47,682.87	-1.1%
1997	51,189.90	7.4%
1998	51,838.81	1.3%
1999	48,759.83	-5.9%
2000	45,177.19	-7.3%
2001	45,612.78	1.0%
2002	51,038.21	11.9%
2003	60,740.83	19.0%
2004	71,624.61	17.9%
2005	74,699.30	4.3%
2006	74,699.30	0.0%
2007	74,699.30	0.0%
2008	0.00	-100.0%
2009	150,819.27	N/A
2010	69,797.43	-53.7%
2011	64,309.42	-7.9%



## EXCESS STATE MONIES RESERVE

	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>
1998	\$51,838.81	\$51,838.81	\$0.00
1999	48,759.83	51,838.81	0.00
2000	45,177.19	107,245.81	0.00
2001	45,612.78	108,155.81	0.00
2002	51,038.21	108,155.81	0.00
2003	60,740.83	108,155.81	0.00
2004	71,624.61	108,155.81	0.00
2005	74,699.30	108,155.81	0.00
2006	74,699.30	250,591.81	0.00
2007	74,699.30	250,591.81	0.00
2008	0.00	250,591.81	0.00
2009	150,819.27	250,591.81	0.00
2010	69,797.43	224,192.81	0.00
2011	64,309.42	224,192.81	<u>0.00</u>
Total State Monies Reserve			\$0.00

City of Holly Hill  
Police Officers' Retirement Trust Fund

BALANCE SHEET  
September 30, 2011

ASSETS	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	362,152.36	362,152.36
Pending Trades Receivable	35,819.02	35,819.02
Pending Trades Payable	(23,154.94)	(23,154.94)
Cash	5,049.24	5,049.24
Total Cash and Equivalents	379,865.68	379,865.68
Receivable:		
City Contributions in Transit	32,131.28	32,131.28
Additional City Contributions	48.82	48.82
Accrued Income	25,897.74	25,897.74
Total Receivable	58,077.84	58,077.84
Investments:		
U S Govt/Govt Sponsored/Corp Bonds	2,151,756.01	2,273,722.22
Corporate Stocks/REITs	2,952,254.92	3,230,236.36
Foreign/ADR Securities	608,808.34	560,705.04
Total Investments	5,712,819.27	6,064,663.62
TOTAL ASSETS	6,150,762.79	6,502,607.14
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Unpaid Investment Expenses	16,113.64	16,113.64
Total Liabilities	16,113.64	16,113.64
Net Assets:		
Active and Retired Members' Equity	5,606,835.01	5,958,679.36
DROP Plan Benefits	527,814.14	527,814.14
Total Net Assets	6,134,649.15	6,486,493.50
TOTAL LIABILITIES AND NET ASSETS	6,150,762.79	6,502,607.14

City of Holly Hill  
Police Officers' Retirement Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2011  
Market Value Basis

REVENUES

Contributions:		
Member	50,516.24	
City	432,571.32	
State	64,309.42	
Total Contributions		547,396.98
Earnings from Investments		
Interest & Dividends	150,069.73	
Net Realized Gain (Loss)	409,194.40	
Unrealized Gain (Loss)	(441,268.35)	
Total Earnings and Investment Gains		117,995.78
EXPENDITURES		
Expenses:		
Investment Related*	71,684.86	
Administrative	28,141.80	
Total Expenses		99,826.66
Distributions to Members:		
Benefit Payments	414,139.54	
Lump Sum DROP Balances	345,165.88	
Termination Payments	32,312.81	
Total Distributions		791,618.23
DROP Account Net Change		(119,905.60)
Change in Net Assets for the Year		(106,146.53)
Net Assets Beginning of the Year		6,064,825.89
Net Assets End of the Year		5,958,679.36

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

City of Holly Hill  
Police Officers' Retirement Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2011  
Actuarial Asset Basis

REVENUES

Contributions:		
Member	50,516.24	
City	432,571.32	
State	64,309.42	
Total Contributions		547,396.98
Earnings from Investments		
Interest & Dividends	150,069.73	
Net Realized Gain (Loss)	409,194.40	
Change in Actuarial Value	(428,616.73)	
Total Earnings and Investment Gains		130,647.40

EXPENDITURES

Expenses:		
Investment Related*	71,684.86	
Administrative	28,141.80	
Total Expenses		99,826.66
Distributions to Members:		
Benefit Payments	414,139.54	
Lump Sum DROP Balances	345,165.88	
Termination Payments	32,312.81	
Total Distributions		791,618.23
DROP Account Net Change		(119,905.60)
Change in Net Assets for the Year		(93,494.91)
Net Assets Beginning of the Year		6,291,927.58
Net Assets End of the Year**		6,198,432.67

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

\*\*Net Assets may be limited for actuarial consideration

City of Holly Hill  
Police Officers' Retirement Trust Fund

ACTUARIAL ASSET VALUATION  
September 30, 2011

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years, but are limited to 120% of Market Value, if less.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*
9/30/08	-12.65%
9/30/09	8.72%
9/30/10	8.59%
9/30/11	0.70%

Annualized Rate of Return  
for prior four (4) years: 0.95%

(A) 10/01/10 Actuarial Assets:	\$6,291,927.58
(I) Net Investment Income:	
1. Interest and Dividends	150,069.73
2. Realized Gains (Losses)	409,194.40
3. Change in Actuarial Value	(428,616.73)
4. Investment Related Expenses	(71,684.86)
Total	58,962.54
(B) 10/01/11 Actuarial Assets:	\$6,198,432.67

Actuarial Asset Rate of Return =  $2I/(A+B-I)$ : 0.95%

\$6,198,432.67

10/01/11 Limited Actuarial Assets:  
(Lesser of Actuarial Assets or 120% of Market Value)

\*Market Value Basis, net of investment related expenses

City of Holly Hill  
Police Officers' Retirement Trust Fund

DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2010 through September 30, 2011

Name	9/30/10 Balance	Additions	Investment Return	Distributions	9/30/11 Balance
Barker, Mark	66,238.39	73,450.71	(5,432.49)	0.00	134,256.61
Borelli, Joe	175,791.39	59,506.76	(4,353.04)	0.00	230,945.11
Currie, Forrest	33,640.00	9,040.39	0.00	(42,680.39)	0.00
Dees, Mitchell	227,047.31	44,993.94	30,444.24	(302,485.49)	0.00
Patton, James*	145,002.65	23,406.72	(5,796.95)	0.00	162,612.42

\*Patton, James was permitted election option change. Adjustments made to current year additions & earnings.

Total	647,719.74	210,398.52	14,861.76	(345,165.88)	527,814.14
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## ELIGIBILITY FOR RETIREMENT

Members are eligible for Normal Retirement based upon the following criteria:

- 1) Attained Age 55 with 6 Years of Credited Service
- or 2) 20 Years of Credited Service regardless of Age

Members are eligible for Early Retirement based upon the following criteria:

- 1) Attained Age 50 with 6 Years of Credited Service

As of the date of this valuation, the following list of Members are eligible for:

Normal Retirement

None

Early Retirement

None

# STATISTICAL DATA

(Averages are salary weighted)

	<u>10/1/2008</u>	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>
<u>Active Members</u>				
Number	25	24	23	25
Average Current Age	39.0	37.7	37.4	37.4
Average Age at Employment	31.1	29.5	31.0	31.3
Average Past Service	7.9	8.3	6.4	6.1
Average Annual Salary	\$45,679	\$48,088	\$44,271	\$42,419



## AGE AND SERVICE DISTRIBUTION

## PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	0	0	0	0	1
25 - 29	3	0	0	0	0	0	0	0	0	0	0	3
30 - 34	1	1	0	1	2	1	0	0	0	0	0	6
35 - 39	1	0	0	0	0	4	1	0	0	0	0	6
40 - 44	0	1	0	0	1	2	1	0	0	0	0	5
45 - 49	0	0	0	0	1	0	0	1	0	0	0	2
50 - 54	0	0	0	0	0	0	1	0	0	0	0	1
55 - 59	1	0	0	0	0	0	0	0	0	0	0	1
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	7	2	0	1	4	7	3	1	0	0	0	25

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/10	23
b. Terminations	
i. Vested (partial or full) with deferred benefits	1
ii. Non-vested or full lump sum distribution received	4
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Entered DROP	0
g. Continuing participants	18
h. New entrants	7
i. Total active life participants in valuation	25

## 2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	9	2	2	1	5	19
b. In	2	0	0	1	0	3
c. Out	0	0	0	1	2	3
d. Number current valuation	11	2	2	1	3	19

SUMMARY OF CURRENT PLAN  
(Through Ordinance No. 2861)

<u>Latest Amendment Date</u>	December 11, 2007.
<u>Eligibility</u>	Full-time employees who are classified as full-time sworn police officers shall participate in the System as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of continuous employment with the City as a Police Officer.
<u>Earnings</u>	Total W-2 Earnings plus all tax deferred or tax exempt items of income. Additional 10.6% of Earnings included for calculating AFC if employed prior to 10/1/99.
<u>Average Final Compensation (AFC)</u>	Average Earnings for the highest 5 years during the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Earnings.
<u>Member Contributions by City</u>	8.0% of Earnings prior to October 1, 2005; 0.0% thereafter. Members hired on or after 10/1/99 vest in these contributions 16.66% for each complete year of Credited Service to 100% after 6 years of Credited Service. Members hired before 10/1/99 are 100% vested in these contributions.
<u>City and State Contributions</u>	Remaining amount necessary to pay current costs and amortize past service cost if any, over 30 years.
<u>Normal Retirement</u>	
Date	Earlier of Age 55 and 6 years of Credited Service or 20 years of Credited Service.
Benefit	3.0% of Average Final Compensation times Credited Service. Members retiring after 10/1/1999, receive \$150 per month, payable for life.

## Form of Benefit

Ten Year Certain and Life Annuity (options available).

### Early Retirement

#### Eligibility

Age 50 and 6 Years of Credited Service.

#### Benefit

Accrued benefit, reduced 3% per year.

### Cost of Living Adjustment

Annual 2.0% increase commencing 5 years after retirement for those Members who retire on or after October 6, 2009 (including disability retirees and beneficiaries, but not including those who terminate prior to reaching their Early or Normal Retirement Date and later begin drawing benefits).

### Vesting

#### Schedule

100% after 6 years of Credited Service.

#### Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

### Disability

#### Eligibility

Service Incurred: Covered from date of employment. Non-Service Incurred: 10 years of Credited Service.

#### Benefit

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

#### Duration

Payable for life (with 120 months guaranteed) or until recovery (as determined by the Board). Options are available.

## Death Benefits

### Pre-Retirement

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years. Non-vested: Refund of accumulated contributions without interest.

### Post-Retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

## Board of Trustees

- a. Two Commission appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

## Deferred Retirement Option Plan

### Eligibility

Eligibility for Normal Retirement.

### Participation

Not to exceed 60 months.

### Rate of Return

Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs).

### Form of Distribution

Lump sum at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/11	6,198,433	10,602,319	4,403,886	58.46%	1,060,484	415.27%
10/01/10	6,291,928	10,378,081	4,086,153	60.63%	1,018,222	401.30%
10/01/09	6,333,782	10,155,787	3,822,006	62.37%	1,154,107	331.17%
10/01/08	6,685,951	9,467,373	2,781,422	70.62%	1,141,987	243.56%
10/01/07	6,342,395	8,191,184	1,848,789	77.43%	1,118,612	165.28%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2011	496,881	432,571	64,309	100.00%
2010	456,309	386,511	69,797	100.00%
2009	412,016	261,197	150,819	100.00%
2008	396,940	396,940	0	100.00%
2007	348,202	273,503	74,699	100.00%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/11

City	43.5%
City for Members	0.0%
Plan Members	5.0%

Actuarially Determined Contribution	432,572
Contributions made	432,571
Actuarial valuation date	10/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Closed
Remaining amortization period	27 Years (as of 10/1/11)
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	6.0%
* Includes inflation at	3.0%
Post Retirement COLA	2.0%

THREE YEAR TREND INFORMATION

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/2011	433,929	100%	(28,157)
9/30/2010	387,808	100%	(29,515)
9/30/2009	260,812	100%	(30,812)

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

	<u>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>
Actuarially Determined Contribution (A)	261,197	386,511	432,572
Interest on NPO	(2,282)	(2,311)	(2,214)
Adjustment to (A)	1,897	3,608	3,571
	-----	-----	-----
Annual Pension Cost	260,812	387,808	433,929
Contributions Made	261,197	386,511	432,571
	-----	-----	-----
Increase in NPO	(385)	1,297	1,358
NPO Beginning of Year	(30,427)	(30,812)	(29,515)
	-----	-----	-----
NPO End of Year	(30,812)	(29,515)	(28,157)



## SENATE BILL 1128 COMPLIANCE

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, nonvested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of Foster & Foster that utilizing this information to compare local law plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

### Present Value of Accrued Benefits at 7.75% Interest

Vested Accrued Benefits	
Inactives	\$7,343,102
Actives	761,664
Member Contributions	<u>406,926</u>
Total	8,511,692
 Non-Vested Accrued Benefits	 <u>134,248</u>
 Total Present Value of Accrued Benefits	 \$8,645,940