

CITY OF HOLLY HILL
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2004
(Revised October 16, 2006)

CONTRIBUTIONS APPLICABLE TO THE PLAN/
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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SECTION I
INTRODUCTION

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Holly Hill Police Officers' Retirement Trust Fund, performed as of October 1, 2004, 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, 2006.

The contribution requirements, compared with those developed in the October 1, 2003, actuarial valuation report, are as follows:

| | | |
|--|----------------|----------------|
| Valuation Date | 10/1/03 | 10/1/04 |
| Applicable Plan/Fiscal Year End | <u>9/30/05</u> | <u>9/30/06</u> |
| Total Required Contribution | \$260,501 | \$318,632 |
| % of Total Annual Payroll | 27.5% | 32.0% |
| Member Contributions (Est.) ** | 106,238 | 49,719 |
| Member Contributions by City (Est.) ** | 75,884 | 0 |
| Applicable State Contribution * | 74,699 | 74,699 |
| Balance from City | 3,680 | 194,214 |
| % of Total Annual Payroll | 0.4% | 19.5% |

* State Contribution shown is the amount received by the City during the fiscal year ended September 30, 2005. The City may use up to \$108,155.81 in State Contributions in order to determine its minimum funding requirements to the Plan.

** Effective October 11, 2005, the Member Contribution Rate was reduced from 11.2% of Salary to 5.0% of Salary and the City for Member Contribution Rate was reduced from 8.0% of Salary to 0.0% of Salary. The required City contribution for the year ending September 30, 2006 is therefore \$194,214 (after accounting for the above listed changes).

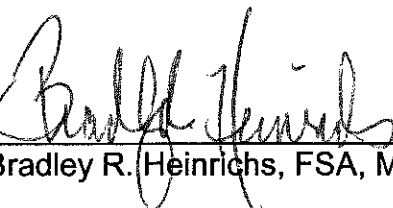
As can be seen, the Total Required Contribution has increased both as a dollar amount and when expressed as a percentage of Total Annual Payroll. These increases are the result of net unfavorable actuarial experience during the past 12 months. The

primary components of unfavorable experience included a -0.5% investment return (Actuarial Asset basis) that was significantly less than the 8.0% assumption and average salary increases that exceeded the assumed rate. During the past year, certain Plan Members experienced a substantial amount of hurricane-related overtime. Because this was an unusual event and because it is unlikely that future reported salaries will reflect this compensation component, for the purposes of this valuation, projected plan liabilities and the current valuation payroll were reduced in proportion to the hurricane related overtime in order to more closely reflect anticipated experience. The "Old Method" in the Comparative Summary illustrates the liabilities and costs associated with not removing the hurricane-related overtime from each Member's pay. The "New Method" column shows the costs and liabilities associated with removing hurricane-related overtime pay for those Members not in the five year averaging period.

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: 
Bradley R. Heinrichs, FSA, MAAA

By: 
Patrick T. Donlan, MAAA

Comparative Summary of Principal Valuation Results

| | New Method <u>10/1/2004</u> | Old Method <u>10/1/2004</u> | Old Method <u>10/1/2003</u> |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| A. Participant Data | | | |
| Number Included | | | |
| Actives | 22 | 22 | 24 |
| Service Retirees | 7 | 7 | 8 |
| Beneficiaries | 2 | 2 | 2 |
| Terminated Vested | 0 | 0 | 0 |
| Disability Retirees | 2 | 2 | 2 |
| Total | <u>33</u> | <u>33</u> | <u>36</u> |
| Total Annual Payroll | \$956,694 | \$987,325 | \$894,861 |
| Payroll Under Assumed Ret. Age | 956,694 | 987,325 | 894,861 |
| Annual Rate of Payments to: | | | |
| Service Retirees | 238,297 | 238,297 | 240,546 |
| Beneficiaries | 33,810 | 33,810 | 33,810 |
| Terminated Vested | 0 | 0 | 0 |
| Disability Retirees | 20,698 | 20,698 | 20,698 |
| B. Assets | | | |
| Actuarial Value | 5,164,093 | 5,164,093 | 5,267,378 |
| Market Value | 4,813,965 | 4,813,965 | 4,513,560 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Active Members | | | |
| Retirement Benefits | 4,248,088 | 4,434,316 | 3,868,477 |
| Disability Benefits | 47,790 | 50,098 | 47,606 |
| Death Benefits | 39,768 | 41,668 | 40,314 |
| Vested Benefits | 225,614 | 237,231 | 243,518 |
| Refund of Contributions | 124,153 | 127,745 | 129,820 |
| Service Retirees | 2,494,725 | 2,494,725 | 2,537,809 |
| Beneficiaries | 190,330 | 190,330 | 208,372 |
| Terminated Vested | 0 | 0 | 0 |
| Disability Retirees | 187,495 | 187,495 | 191,571 |
| Excess State Monies Reserve | 0 | 0 | 0 |
| Total | <u>7,557,962</u> | <u>7,763,606</u> | <u>7,267,487</u> |

| | New Method <u>10/1/2004</u> | Old Method <u>10/1/2004</u> | Old Method <u>10/1/2003</u> |
|---|--------------------------------|--------------------------------|--------------------------------|
| C. Liabilities - (Continued) | | | |
| Liabilities Due and Unpaid | \$0 | \$0 | \$0 |
| Present Value of Future Salaries (Attained Age) | 6,335,331 | 6,645,150 | 6,553,928 |
| Present Value of Future Salaries (Entry Age) | 11,572,107 | 11,935,610 | 10,758,211 |
| Present Value of Future Member Contributions | 709,557 | 744,257 | 734,040 |
| Present Value of Future Normal Costs (Entry Age) | 1,356,485 | 1,423,913 | 1,462,161 |
| Actuarial Accrued Liability | 6,201,477 | 6,339,693 | 5,805,326 |
| Unfunded Actuarial Accrued Liability (UAAL) | 1,037,384 | 1,175,600 | 537,948 |
| D. Actuarial Present Value of Accrued Benefits | | | |
| Vested Accrued Benefits | | | |
| Inactives | 2,872,549 | 2,872,549 | 2,937,752 |
| Actives | 1,503,058 | 1,587,893 | 1,175,074 |
| Member Contributions | <u>772,122</u> | <u>772,122</u> | <u>699,907</u> |
| Total | 5,147,729 | 5,232,564 | 4,812,733 |
| Non-vested Accrued Benefits | <u>2,612</u> | <u>6,629</u> | <u>0</u> |
| Total Present Value Accrued Benefits | 5,150,341 | 5,239,193 | 4,812,733 |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | | |
| Plan Amendments | 0 | 0 | |
| Assumption Changes | (88,852) | 0 | |
| New Accrued Benefits | 0 | 450,396 | |
| Benefits Paid | 0 | (393,225) | |
| Interest | 0 | 369,290 | |
| Other | <u>0</u> | <u>0</u> | |
| Total: | (88,852) | 426,460 | |

| | New Method <u>10/1/2004</u> | Old Method <u>10/1/2004</u> | Old Method <u>10/1/2003</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| E. Pension Cost | | | |
| Normal Cost (with interest) % of Total Annual Payroll* | \$251,249 25.3 | \$261,733 25.0 | \$246,091 25.9 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/04) % of Total Annual Payroll* | 67,383 6.8 | 74,952 7.2 | 14,409 1.5 |
| Total Required Contribution % of Total Annual Payroll* | 318,632 32.0 | 336,684 32.2 | 260,501 27.5 |
| Expected Member Contributions % of Total Annual Payroll* | 111,370 11.2 | 117,215 11.2 | 106,238 11.2 |
| Expected City for Member Contr. % of Total Annual Payroll* | 79,550 8.0 | 83,725 8.0 | 75,884 8.0 |
| Expected City & State Contrib. % of Total Annual Payroll* | 127,712 12.8 | 135,744 13.0 | 78,379 8.3 |
| F. Past Contributions | | | |
| Plan Years Ending: | <u>9/30/2004</u> | | |
| Total Required Contribution City and State Requirement | 306,123 197,098 | | |
| Actual Contributions Made: | | | |
| Members | 112,890 | | |
| City | 151,516 | | |
| State | 71,625 | | |
| Total | <u>336,031</u> | | |
| G. Net Actuarial Gain (Loss) | (537,454) | | |

* Contributions in the left column developed as of 10/1/04 are expressed as a percentage of projected annual payroll at 10/1/05 of \$994,374

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

| <u>Year</u> | <u>Projected Unfunded Accrued Liability</u> |
|-------------|---|
| 2004 | 1,037,384 |
| 2005 | 1,054,361 |
| 2006 | 1,071,555 |
| 2011 | 1,160,685 |
| 2016 | 1,254,625 |
| 2026 | 838,293 |
| 2034 | 0 |

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2004 | 16.0% | 6.0% |
| Year Ended | 9/30/2003 | 5.1% | 6.0% |
| Year Ended | 9/30/2002 | 9.2% | 6.0% |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2004 | -0.5% | 8.0% |
| Year Ended | 9/30/2003 | 0.8% | 8.0% |
| Year Ended | 9/30/2002 | 0.2% | 8.0% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-----------|
| (a) Payroll as of: | 10/1/2004 | \$956,694 |
| | 10/1/1994 | 806,029 |
| (b) Total Increase | | 18.7% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | 1.7% |

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.



10/16/06

Patrick T. Donlan, EA, MAAA
Enrolled Actuary #05-6595

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. Charles Slavin, Actuary
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

SECTION II
VALUATION INFORMATION

Reconciliation of Unfunded Actuarial Accrued Liabilities

| | |
|--|-----------|
| (1) Unfunded Actuarial Accrued Liability as of October 1, 2003 | 537,948 |
| (2) City and State Normal Cost Applicable for the year * | 137,615 |
| (3) Interest on (1) and (2) | 54,045 |
| (4) Sponsor Contributions to the System during the year ending September 30, 2004 | 223,141 |
| (5) Interest on (4) | 6,538 |
| (6) Expected UAAL as of October 1, 2004 (1)+(2)+(3)-(4)-(5) | 499,930 |
| (7) Actual UAAL as of October 1, 2004 | 1,037,384 |
| (8) Actuarial Gain (Loss): (6) - (7) (Includes Method Change) | (537,454) |

| | <u>Date Established</u> | <u>Years Remaining</u> | <u>10/1/2004 Amount</u> | <u>Amortization Amount</u> |
|-----|-----------------------------|----------------------------|-----------------------------|--------------------------------|
| "A" | 10/1/2002 | 28 | 888,887 | 63,513 |
| "B" | 10/1/2003 | 14 | (388,957) | (39,820) |
| "C" | 10/1/2004 | 30 | <u>537,454</u> | <u>37,430</u> |
| | | | 1,037,384 | 61,124 |

*Includes \$23,000 for administrative expenses.

ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

| | <u>Assumptions</u> |
|--------------------------------|--|
| <u>Mortality Rate</u> | 1983 GAM Table - Sex Distinct. |
| <u>Interest Rate</u> | 8% per year compounded annually, net of investment related expenses. |
| <u>Retirement Age</u> | Earlier of age 55 and 10 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 (or October 1, 2006 for study). |
| <u>Early Retirement</u> | Commencing with eligibility for Early Retirement Age (age 50 with 10 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 (1302). |
| <u>Salary Increases</u> | 6.0% per year until the assumed retirement age; see table below. Projected salary at retirement is increased 20% to account for non-regular compensation. |
| <u>Payroll Increase</u> | Up to 5.0% per year (1.73% for 10/1/04 Val). |
| <u>Administrative Expenses</u> | \$18,900 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 | 6.0% | 0.03% | 17.4% |
| 30 | 5.0 | 0.04 | 31.2 |
| 40 | 2.6 | 0.07 | 55.8 |
| 50 | 0.8 | 0.18 | 100.0 |

Funding Method

Entry Age Normal Actuarial Cost Method

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the year following 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.

Entry Age Normal Actuarial Cost Method 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 Actuarial Accrued (Past Service) Liability.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

| <u>Received During Fiscal Year</u> | <u>Amount</u> | <u>Increase from Previous Year</u> |
|--|---------------|--|
| 1983 | 19,800.87 | _____% |
| 1984 | 24,982.17 | 26.2% |
| 1985 | 26,920.47 | 7.8% |
| 1986 | 32,117.88 | 19.3% |
| 1987 | 39,150.60 | 21.9% |
| 1988 | 39,450.32 | 0.8% |
| 1989 | 39,967.33 | 1.3% |
| 1990 | 41,108.50 | 2.9% |
| 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% |

EXCESS STATE MONIES RESERVE

| | <u>Actual</u> <u>StateContribution</u> | <u>Applicable</u> <u>"Frozen" Amount</u> | <u>Excess State</u> <u>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 | <u>0.00</u> |
| Total State Monies Reserve | | | \$0.00 |

SECTION III
TRUST FUND

City of Holly Hill
Police Officers' Retirement Trust Fund

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BALANCE SHEET
September 30, 2004

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--------------------------------------|--------------|--------------|
| Cash and Cash Equivalents: | | |
| Cash | 227,730.88 | 227,730.88 |
| Total Cash and Equivalents | 227,730.88 | 227,730.88 |
| Receivable: | | |
| Contributions | 6,405.00 | 6,405.00 |
| Accrued Income | 32,967.95 | 32,967.95 |
| Total Receivable | 39,372.95 | 39,372.95 |
| Investments: | | |
| U.S. Treasury | 256,404.73 | 248,880.90 |
| Federal Agency Guaranteed Securities | 386,111.45 | 371,532.50 |
| Corporate Bonds | 1,174,370.85 | 1,186,612.70 |
| Corporate Stocks | 2,444,000.61 | 2,739,834.76 |
| Total Investments | 4,260,887.64 | 4,546,860.86 |
| TOTAL ASSETS | 4,527,991.47 | 4,813,964.69 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Total Liabilities | 0.00 | 0.00 |
| Net Assets: | | |
| Active and Retired Members' Equity | 4,527,991.47 | 4,813,964.69 |
| DROP Plan Benefits | 0.00 | 0.00 |
| Total Net Assets | 4,527,991.47 | 4,813,964.69 |
| TOTAL LIABILITIES AND NET ASSETS | 4,527,991.47 | 4,813,964.69 |

City of Holly Hill
Police Officers' Retirement Trust Fund

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CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2004
Market Value Basis

INCOME

| | | |
|-------------------------------------|------------|------------|
| Contributions: | | |
| Member | 112,890.00 | |
| City | 151,516.00 | |
| State | 71,624.61 | |
| Total Contributions | | 336,030.61 |
| Earnings from Investments | | |
| Interest & Dividends | 126,459.97 | |
| Net Realized Gain (Loss) | 255,366.82 | |
| Unrealized Gain (Loss) | 41,372.76 | |
| Total Earnings and Investment Gains | | 423,199.55 |

EXPENSES

| | | |
|-----------------------------------|------------|--------------|
| Administrative Expenses: | | |
| Investment Related* | 46,793.06 | |
| Other | 18,807.32 | |
| Total Expenses | | 65,600.38 |
| Distributions to Members: | | |
| Benefit Payments | 290,908.29 | |
| Lump Sum DROP Balances | 0.00 | |
| Return of Contributions | 102,317.10 | |
| Total Distributions | | 393,225.39 |
| DROP Account Net Change | | 0.00 |
| Change in Net Assets for the Year | | 300,404.39 |
| Net Assets Beginning of the Year | | 4,513,560.30 |
| Net Assets End of the Year | | 4,813,964.69 |

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

City of Holly Hill
Police Officers' Retirement Trust Fund

ACTUARIAL ASSET VALUATION
September 30, 2004

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* |
|---------------|-----------------|
| 9/30/01 | -14.33% |
| 9/30/02 | -7.17% |
| 9/30/03 | 13.58% |
| 9/30/04 | 8.41% |

Annualized Rate of Return
for prior four (4) years: -0.52%

(A) 10/01/03 Actuarial Assets: \$5,267,378.21

(I) Net Investment Income:

| | |
|--------------------------------|--------------------|
| 1. Interest and Dividends | 126,459.97 |
| 2. Realized Gains (Losses) | 255,366.82 |
| 3. Change in Actuarial Value | (362,316.51) |
| 4. Investment Related Expenses | 46,793.06 |
| Total | <u>(27,282.78)</u> |

(B) 10/01/04 Actuarial Assets: \$5,164,093.33

Actuarial Asset Rate of Return = $2I/(A+B-I)$: -0.52%

10/01/04 Limited Actuarial Assets: \$5,164,093.33
(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

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CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2004
Actuarial Asset Basis

INCOME

| | | |
|-------------------------------------|--------------|--------------|
| Contributions: | | |
| Member | 112,890.00 | |
| City | 151,516.00 | |
| State | 71,624.61 | |
| Total Contributions | | 336,030.61 |
| Earnings from Investments | | |
| Interest & Dividends | 126,459.97 | |
| Net Realized Gain (Loss) | 255,366.82 | |
| Change in Actuarial Value | (362,316.51) | |
| Total Earnings and Investment Gains | | 19,510.28 |
| EXPENSES | | |
| Administrative Expenses: | | |
| Investment Related* | 46,793.06 | |
| Other | 18,807.32 | |
| Total Administrative Expenses | | 65,600.38 |
| Distributions to Members: | | |
| Benefit Payments | 290,908.29 | |
| Lump Sum DROP Balances | 0.00 | |
| Return of Contributions | 102,317.10 | |
| Total Distributions | | 393,225.39 |
| DROP Account Net Change | | 0.00 |
| Change in Net Assets for the Year | | (103,284.88) |
| Net Assets Beginning of the Year | | 5,267,378.21 |
| Net Assets End of the Year** | | 5,164,093.33 |

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

**Net Assets may be limited for actuarial consideration

SECTION IV
MEMBER STATISTICS

ELIGIBILITY FOR RETIREMENT

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

- 1) Attained Age 55 with 10 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 10 Years of Credited Service

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

| <u>Normal Retirement</u> | <u>Early Retirement</u> |
|------------------------------|--|
| Barker, M. D. Dees, M. W. | Borelli, J. Klein, R. A. Patton, J. A. |

STATISTICAL DATA

(Averages are salary weighted)

| | <u>10/1/2001</u> | <u>10/1/2002</u> | <u>10/1/2003</u> | <u>10/1/2004</u> |
|---------------------------|------------------|------------------|------------------|------------------|
| <u>Active Members</u> | | | | |
| Number | 25 | 25 | 24 | 22 |
| Average Current Age | 39.8 | 38.5 | 39.7 | 41.1 |
| Average Age at Employment | 30.5 | 29.7 | 30.3 | 30.6 |
| Average Past Service | 9.3 | 8.8 | 9.4 | 10.5 |
| Average Annual Salary | \$34,846 | \$36,733 | \$37,286 | \$43,486 |

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 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| 25 - 29 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 30 - 34 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| 35 - 39 | 2 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 4 |
| 40 - 44 | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 0 | 1 | 0 | 0 | 5 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 2 |
| 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 | 5 | 1 | 1 | 2 | 3 | 2 | 3 | 3 | 2 | 0 | 0 | 22 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|----|
| a. Number in prior valuation 10/1/03 | 24 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 0 |
| ii. Non-vested or full lump sum distribution received | 7 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | 0 |
| f. Voluntary withdrawal | 0 |
| g. Continuing participants | 17 |
| h. New entrants | 5 |
| i. Total active life participants in valuation | 22 |

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>Total</u> |
|-----------------------------|--|---|--|----------------------------|--------------|
| a. Number prior valuation | 8 | 2 | 2 | 0 | 12 |
| b. In | 0 | 0 | 0 | 0 | 0 |
| c. Out | 1 | 0 | 0 | 0 | 1 |
| d. Number current valuation | 7 | 2 | 2 | 0 | 11 |

SECTION V
SUMMARY OF PLAN PROVISIONS

SUMMARY OF CURRENT PLAN
(Through Ordinance No. 2716)

| | |
|---|---|
| <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 8.0% (10.6% if employed prior to 10/1/99) of Earnings included for calculating AFC. |
| <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> | 11.2% of Earnings. |
| <u>Member Contributions by City</u> | 8.0% of Earnings. Members hired on or after 10/1/99 vest in these contributions 10% for each complete year of Credited Service to 100% after 10 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 10 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 10 Years of Credited Service. |
| Benefit | Accrued benefit, reduced 3% per year. |

Vesting

| | |
|----------------|--|
| Schedule | 10% per year of Credited Service to 100% after 10 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 36 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.

SECTION VI

**GOVERNMENTAL ACCOUNTING STANDARDS
BOARD STATEMENTS NO. 25 & No. 27 INFORMATION**

**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) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 10/01/04 | 5,164,093 | 6,201,477 | 1,037,384 | 83.27% | 956,694 | 108.43% |
| 10/01/03 | 5,267,378 | 5,805,326 | 537,948 | 90.73% | 894,861 | 60.12% |
| 10/01/02 | 4,997,881 | 5,922,253 | 924,372 | 84.39% | 918,337 | 100.66% |
| 10/01/01 | 4,610,473 | 4,610,473 | 0 | 100.00% | 871,152 | 0.00% |
| 10/01/00 | 5,500,526 | 6,064,771 | 564,245 | 90.70% | 744,912 | 75.75% |

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 |
|-------------------------------|------------------------------------|----------------------|-----------------------|---------------------------|
| 2004 | 197,098 | 151,516 | 71,625 | 113.21% |
| 2003 | 75,278 | 14,537 | 60,741 | 100.00% |
| 2002 | 71,017 | 25,404 | 51,038 | 100.00% |
| 2001 | 5,651 | 0 | 45,613 | 100.00% |
| 2000 | 26,549 | 0 | 45,177 | 100.00% |

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/04

| | |
|------------------|-------|
| City | 5.4% |
| City for Members | 8.0% |
| Plan Members | 11.2% |

| | |
|-------------------------------|------------------------------|
| Annual pension cost | 125,473 |
| Contributions made | 151,516 |
| Actuarial valuation date | 10/1/02 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Pay, Closed |
| Remaining amortization period | 30 Years (as of 10/1/02) |
| Asset valuation method | 4 Year Smooth |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increase* | 6.0% |
| * Includes inflation at | 3.0% |
| Post Retirement COLA | 0.0% |

THREE YEAR TREND INFORMATION

| <u>Year</u> <u>Ending</u> | <u>Actuarially</u> <u>Determined</u> <u>Contribution (A)</u> | <u>Percentage</u> <u>of (A)</u> <u>Contributed</u> | <u>Net</u> <u>Pension</u> <u>Obligation</u> |
|------------------------------|--|--|---|
| 9/30/2004 | 125,473 | 121% | (26,043) |
| 9/30/2003 | 14,537 | 100% | 0 |
| 9/30/2002 | 25,404 | 108% | 0 |