



# **FOSTER & FOSTER**

ACTUARIES AND CONSULTANTS

CITY OF NORTH PORT POLICE OFFICERS'  
PENSION - LOCAL OPTION TRUST FUND

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2013

CONTRIBUTIONS APPLICABLE TO PLAN/  
FISCAL YEAR ENDING SEPTEMBER 30, 2015



November 24, 2013

Board of Trustees  
c/o Ms. Linda Runkle, Administrator  
The Resource Center, LLC  
4360 Northlake Blvd., Suite 206  
Palm Beach Gardens, FL 33410

Re: City of North Port  
Police Officers' Pension – Local Option Trust Fund

Dear Linda:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option 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 North Port, financial reports prepared by the custodian bank, 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.

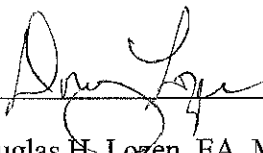
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of North Port, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of North Port Police Officers' Pension - Local Option 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:

  
\_\_\_\_\_  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #11-7778

DHL/lke

Enclosures

## TABLE OF CONTENTS

Section	Title	Page
I	<u>Introduction</u>	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	7
	c. Requirements of Chapter 112, Part VII, Florida Statutes	8
II	<u>Valuation Information</u>	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	13
	b. Detailed Actuarial (Gain)/Loss Analysis	14
	c. Actuarial Assumptions and Methods	15
	d. Valuation Notes	16
	e. History of Premium Tax Refunds	17
	f. Excess State Monies Reserve	18
III	Trust Fund	19
IV	<u>Member Statistics</u>	
	a. Statistical Data	25
	b. Age and Service Distribution	26
	c. Member Reconciliation	27
V	Summary of Plan Provisions	28
VI	Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosure Information	31

## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option Trust Fund, performed as of October 1, 2013, 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, 2015.

The contribution requirements, compared with those developed in the October 1, 2012, actuarial valuation (as revised November 5, 2013), are as follows:

Valuation Date	10/1/2012	10/1/2013
Applicable Plan/Fiscal Yr. End	<u>9/30/2014</u>	<u>9/30/2015</u>
Total Required Contribution	\$2,979,671	\$3,181,822
% of Total Annual Payroll		
Member Contributions (Est.)	549,786	628,410
% of Total Annual Payroll		
City and State Required Contribution	2,429,885	2,553,412
% of Total Annual Payroll		
State Contribution *	179,229	179,229
% of Total Annual Payroll		
Balance from City *		
% of Total Annual Payroll	\$2,250,656	\$2,374,183

\* The City may use up to \$179,229 in State Contributions for determining its minimum funding requirements.


Additionally, there was a shortfall of \$2,095.57 for the fiscal year ending September 30, 2013 that is due in addition to these amounts.


Actuarial experience during the past 12 months has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included an 8.4% investment return (Actuarial Asset basis), exceeding the 7.75% assumption and lower than expected average increases in pensionable earnings. Partially offsetting these gains were the effect of lower than expected turnover and no inactive mortality.

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:   
Douglas H. Lozen, EA, MAAA

By:   
Christine M. O'Neal, ASA, EA, MAAA

Plan Changes Since Prior Valuation

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in assumptions or methods since the prior valuation.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2013</u>	<u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	95	90
Service Retirees	16	16
Beneficiaries	0	0
Terminated Vested	15	10
Disability Retirees	7	7
DROP Plan Members	0	0
Total	<u>133</u>	<u>123</u>
Total Annual Payroll	\$6,963,252	\$6,103,283
Payroll Under Assumed Ret. Age	6,963,252	6,103,283
Annual Rate of Payments to:		
Service Retirees	848,904	848,904
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	191,747	191,747
DROP Plan Members	0	0
B. Assets		
Actuarial Value	24,410,069	20,712,234
Market Value	26,375,435	21,460,774
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	32,942,240	26,455,658
Disability Benefits	2,218,172	2,518,688
Death Benefits	564,939	650,526
Vested Benefits	2,064,314	5,276,090
Refund of Contributions	251,695	262,189
Service Retirees	9,333,014	9,451,037
Beneficiaries	0	0
Terminated Vested	30,352	31,390
Disability Retirees	1,979,973	2,007,269
DROP Plan Members	0	0
Excess State Monies Reserve	300,722	181,961
Total	<u>49,685,421</u>	<u>46,834,808</u>



C. Liabilities - (Continued)	<u>10/1/2013</u>	<u>10/1/2012</u>
Present Value of Future Salaries	67,924,544	62,127,862
Present Value of Future Member Cont.	5,433,964	4,970,229
Normal Cost (Entry Age Normal)		
Retirement Benefits	1,554,140	1,245,050
Disability Benefits	171,587	101,335
Death Benefits	47,183	27,280
Vested Benefits	142,170	249,772
Refund of Contributions	53,072	18,480
Total Normal Cost	<u>1,968,152</u>	<u>1,641,917</u>
Actuarial Accrued Liability		
Retirement Benefits	18,132,450	14,078,744
Disability Benefits	686,779	1,408,528
Death Benefits	147,998	354,660
Vested Benefits	991,570	2,528,607
Refund of Contributions	33,146	65,085
Inactives	11,343,339	11,489,696
Excess State Reserve	300,722	181,961
Total Actuarial Accrued Liability	<u>31,636,004</u>	<u>30,107,281</u>
Present Value of Future Normal Costs	18,049,417	16,727,527
Unfunded Actuarial Accrued Liability	7,225,935	9,395,047
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	11,343,339	11,489,696
Actives	6,755,653	5,768,446
Member Contributions	3,681,740	3,233,462
	<u>21,780,732</u>	<u>20,491,604</u>
Total	21,780,732	20,491,604
Non-vested Accrued Benefits	<u>1,650,931</u>	<u>1,567,309</u>
Total Present Value Accrued Benefits	23,431,663	22,058,913
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Method/Assumption Changes	0	
New Accrued Benefits	780,956	
Benefits Paid	(1,076,074)	
Interest	1,667,868	
Other	0	
Total:	<u>1,372,750</u>	

Valuation Date	10/1/2013	10/1/2012
Applicable to Fiscal Year Ending	<u>9/30/2015</u>	<u>9/30/2014</u>

## E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll	\$2,220,238	\$1,848,807
Administrative Expenses (with interest) % of Total Annual Payroll	79,317	65,972
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/2013) % of Total Annual Payroll	882,267	1,064,892
Total Required Contribution % of Total Annual Payroll	3,181,822	2,979,671
Expected Member Contributions % of Total Annual Payroll	628,410	549,786
Expected City & State Contribution % of Total Annual Payroll	\$2,553,412	\$2,429,885

## F. Past Contributions

Plan Years Ending:	<u>9/30/2013</u>
Total Required Contribution	2,886,110
City and State Requirement	2,384,178
Actual Contributions Made:	
Members	517,988
City	2,204,949
State	179,229 *
Total	<u>2,902,166</u>

G. Net Actuarial Gain (Loss)	1,722,821
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\* "Frozen" pursuant to Chapter 185, Florida Statutes, as amended.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2013	\$7,225,936
2014	6,943,241
2015	6,597,542
2020	4,239,679
2025	2,827,334
2035	83,699
2040	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	3.2%	8.4%
Year Ended	9/30/2012	7.4%	7.5%
Year Ended	9/30/2011	4.6%	7.5%

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

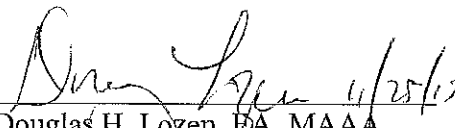
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	8.4%	7.75%
Year Ended	9/30/2012	5.2%	8.00%
Year Ended	9/30/2011	-2.4%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2013	\$6,963,252
	10/1/2003	2,237,398
(b) Total Increase		211.2%
(c) Number of Years		10.00
(d) Average Annual Rate		12.0%

## 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.

  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #11-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

Ms. Sarah Carr  
Municipal Police and Fire  
Pension Trust Funds  
Division of Retirement  
Post Office Box 3010  
Tallahassee, FL 32315-3010

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2012	\$9,395,047
(2) Sponsor Normal Cost developed as of October 1, 2012	1,153,654
(3) Expected Administrative expenses during the year ending September 30, 2013	58,589
(4) Expected interest on (1), (2) and (3)	819,795
(5) Sponsor contributions to the System during the year ending September 30, 2013	2,384,178
(6) Expected interest on (5)	94,151
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2013 (1)+(2)+(3)+(4)-(5)-(6)	8,948,756
(8) Change to UAAL due to Actuarial (Gain)/Loss	(1,722,821)
(9) Unfunded Actuarial Accrued Liability as of October 1, 2013	\$7,225,935

	Date Established	Years Remaining	10/1/2013 Amount	Amortization Amount
	10/1/1990	7	123,036	18,969
	10/1/1997	14	126,500	10,631
	10/1/1999	16	205,220	15,461
	10/1/2000	17	172,380	12,370
method change	10/1/2004	21	1,600,565	97,505
actuarial loss	10/1/2004	15	1,489,050	118,225
actuarial loss	10/1/2005	15	1,186,136	94,174
actuarial gain	10/1/2006	15	(354,174)	(28,120)
actuarial loss	10/1/2007	15	1,318,811	104,708
actuarial loss	10/1/2008	5	436,711	91,916
method change	10/1/2008	15	92,509	7,345
actuarial loss	10/1/2009	6	1,220,951	216,867
actuarial loss	10/1/2010	7	94,258	14,532
assum. change	10/1/2010	17	266,576	19,130
benefit change	10/1/2010	27	232,952	19,332 *
actuarial loss	10/1/2011	8	1,143,166	156,155
actuarial loss	10/1/2012	9	569,906	70,066
assum. change	10/1/2012	19	(975,797)	(64,167)
actuarial gain	10/1/2013	10	(1,722,821)	(193,005)
			<u>7,225,935</u>	<u>782,094</u>

\*Amortized as a level dollar

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2012	9,395,047
(2)	Expected UAAL as of October 1, 2013	8,948,756
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(145,084)
	Administrative Expenses	11,722
	Retirement/DROP	(10,346)
	Employee Turnover	111,963
	Active Mortality	(19,639)
	Disability	(58,067)
	Inactive Mortality	50,969
	Salary Increases	(864,787)
	New Entrants	0
	DROP Earnings	0
	Transition to ProVal Software	(988,292)
	Other	<u>188,740</u>
	Increase in UAAL due to (Gain)/Loss	(1,722,821)
(4)	Actual UAAL as of October 1, 2013	7,225,935

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years.

Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Additionally, 75% of active Member deaths are assumed to be service-related.

### Interest Rate

7.75% per year compounded annually, net of investment related expenses.

### Normal Retirement

Years Eligible for Normal Retirement	Percent Retiring
0	66.7%
1	50.0%
2 or More	100.0%

### Early Retirement

Commencing with attainment of Early Retirement Status (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year (5% for valuations prior to October 1, 2012).

### Salary Increases

Credited Service	Assumption
First 2 Years	17.0%
2-10 Years	8.5%
11-20 Years	6.0%
More than 20 Years	2.0%

A flat 7.5% salary increase assumption was utilized for valuations prior to October 1, 2012.

### Payroll Growth

5% per year.

### Administrative Expenses

\$70,311 annually.

### Final Year Salary Load

Projected salary at retirement is increased 20% to account for non-regular compensation (no load for Members hired after January 1, 2012).

### Termination Rates

Credited Service	Assumption
First Year	24.0%
1-4 Years	6.0%
5-19 Years	3.0%
20 or more Years	0.0%

Disability Rates

See table below for sample rates. 75% of Disability Retirements are assumed to be service-incurred.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.14%
30	0.18
40	0.30
50	1.00%

Marital Assumption

80% are assumed Married with husbands three years older than their wives.

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.75% assumption.

Salary – A full year, based on the current 8.6% assumption.



## VALUATION NOTES

Total Annual Payroll is the annual rate of pay for the fiscal 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 determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

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.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

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.

## HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1992	24,325.20	_____%
1993	26,157.01	7.5%
1994	29,252.28	11.8%
1995	32,923.48	12.6%
1996	38,247.59	16.2%
1997	43,649.70	14.1%
1998	48,260.66	10.6%
1999	51,574.48	6.9%
2000	51,511.40	-0.1%
2001	56,480.66	9.6%
2002	76,778.55	35.9%
2003	88,977.27	15.9%
2004	132,825.30	49.3%
2005	163,669.80	23.2%
2006	191,599.50	17.1%
2007	232,905.15	21.6%
2008	221,662.73	-4.8%
2009	275,946.30	24.5%
2010	278,182.12	0.8%
2011	257,676.16	-7.4%
2012	282,742.64	9.7%
2013	297,989.02	5.4%

## EXCESS STATE MONIES RESERVE

<u>Year</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies For Reserve</u>
1998	48,260.66	48,260.66	0.00
1999	51,574.48	48,260.66	3,313.82
2000	51,511.40	87,721.66	0.00
2001	56,480.66	146,545.66	0.00
2002	76,778.55	146,545.66	0.00
2003	88,977.27	146,545.66	0.00
2004	132,825.30	146,545.66	0.00
2005	163,669.80	146,545.66	17,124.14
2006	191,599.50	146,545.66	45,053.84
2007	232,905.15	146,545.66	86,359.49
2008	221,662.73	146,545.66	75,117.07
2009	275,946.30	146,545.66	129,400.64
2010	278,182.12	146,545.66	131,636.46
2011	257,676.16	179,228.66	78,447.50
2012	282,742.64	179,228.66	103,513.98
2013	297,989.02	179,228.66	<u>118,760.36</u>
		Subtotal	788,727.30
		Less Ord. 2011-06 Improvements	<u>(488,005.46)</u>
		Total	300,721.84

BALANCE SHEET  
September 30, 2013

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	1,427,978.74	1,427,978.74
Cash	13,716.97	13,716.97
Total Cash and Equivalents	1,441,695.71	1,441,695.71
Receivable:		
City Contributions in Transit	397,867.93	397,867.93
Additional City Contributions	2,095.57	2,095.57
Accrued Income	55,089.22	55,089.22
Total Receivable	455,052.72	455,052.72
Investments:		
U. S. Bonds and Bills	2,358,658.92	2,363,657.19
Federal Agency Guaranteed Securities	1,034,770.66	1,066,925.05
Corporate Bonds	2,841,308.10	2,802,588.00
Stocks	11,948,043.03	14,852,496.59
Mutual Funds:		
Fixed Income	1,321,102.11	1,255,743.69
Pooled/Common/Commingled Funds:		
Real Estate	1,900,000.00	2,137,275.75
Total Investments	21,403,882.82	24,478,686.27
TOTAL ASSETS	23,300,631.25	26,375,434.70
<u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities	0.00	0.00
Net Assets	23,300,631.25	26,375,434.70
TOTAL LIABILITIES AND NET ASSETS	23,300,631.25	26,375,434.70

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2013  
Market Value Basis

REVENUES

Contributions:		
Member	501,932.13	
Buy-Back	16,056.16	
City	2,204,948.96	
State	297,989.02	
<b>Total Contributions</b>		<b>3,020,926.27</b>
Earnings from Investments		
Interest & Dividends	451,387.13	
Miscellaneous Income	56,741.96	
Net Realized Gain (Loss)	1,450,915.78	
Unrealized Gain (Loss)	1,238,321.13	
<b>Total Earnings and Investment Gains</b>		<b>3,197,366.00</b>
EXPENDITURES		
Expenses:		
Investment Related <sup>1</sup>	157,247.03	
Administrative	70,310.66	
<b>Total Expenses</b>		<b>227,557.69</b>
Distributions to Members:		
Benefit Payments	1,040,651.16	
Lump Sum DROP Balances	0.00	
Lump Sum PLOP Distributions	0.00	
Termination Payments	35,422.82	
<b>Total Distributions</b>		<b>1,076,073.98</b>
<b>Change in Net Assets for the Year</b>		<b>4,914,660.60</b>
<b>Net Assets Beginning of the Year</b>		<b>21,460,774.10</b>
<b>Net Assets End of the Year</b>		<b>26,375,434.70</b>

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
September 30, 2013

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. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
09/30/2010	7.96%	
09/30/2011	-3.84%	
09/30/2012	17.26%	
09/30/2013	13.52%	
Annualized Rate of Return for prior four (4) years:		8.42%
(A) 10/01/2012 Actuarial Assets:		\$20,712,234.18
(I) Net Investment Income:		
1. Interest and Dividends	508,129.09	
2. Realized Gains (Losses)	1,450,915.78	
3. Change in Actuarial Value	21,494.89	
4. Investment Related Expenses	(157,247.03)	
Total		1,823,292.73
(B) 10/01/2013 Actuarial Assets:		\$24,410,068.54
Actuarial Asset Rate of Return = 2I/(A+B-I):		8.42%
10/01/2013 Limited Actuarial Assets:		\$24,410,068.54

\*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2013  
Actuarial Asset Basis

REVENUES

Contributions:		
Member	501,932.13	
Buy-Back	16,056.16	
City	2,204,948.96	
State	297,989.02	
 Total Contributions		 3,020,926.27
 Earnings from Investments		
Interest & Dividends	451,387.13	
Miscellaneous Income	56,741.96	
Net Realized Gain (Loss)	1,450,915.78	
Change in Actuarial Value	21,494.89	
 Total Earnings and Investment Gains		 1,980,539.76

EXPENDITURES

Expenses:		
Investment Related <sup>1</sup>	157,247.03	
Administrative	70,310.66	
 Total Expenses		 227,557.69
 Distributions to Members:		
Benefit Payments	1,040,651.16	
Lump Sum DROP Balances	0.00	
Lump Sum PLOP Distributions	0.00	
Termination Payments	35,422.82	
 Total Distributions		 1,076,073.98
 Change in Net Assets for the Year		 3,697,834.36
 Net Assets Beginning of the Year		 20,712,234.18
 Net Assets End of the Year <sup>2</sup>		 24,410,068.54

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

RECONCILIATION OF CITY'S SHORTFALL FOR THE  
FISCAL YEAR ENDING SEPTEMBER 30, 2013

(1) City and State Required Contribution Rate (from the October 1, 2011 Actuarial Valuation Report)	38.00%
(2) Pensionable Payroll Derived from Member Contributions	\$6,274,151.63
(3) Required City and State Contribution (1) x (2)	2,384,177.62
(4) Less Allowable State Contribution	(179,228.66)
(5) Less City Prepaid Contribution from Fiscal 2012	<u>(186,573.78)</u>
(6) Equals Required City Contribution	2,018,375.18
(7) Less Actual City Contributions	<u>(2,016,279.61)</u>
(8) Equals City's Shortfall Contribution as of September 30, 2013	(\$2,095.57)



## STATISTICAL DATA

(Averages are salary weighted)

	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>
<u>Active Members</u>				
Number	96	96	90	95
Average Current Age	37.9	38.1	38.1	38.6
Average Age at Employment	29.7	29.1	29.2	29.2
Average Past Service	8.2	9.0	8.9	9.4
Average Annual Salary	\$63,329	\$64,602	\$67,260	\$73,297

## 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	5	1	0	0	0	0	0	0	0	0	0	6
25 - 29	1	1	3	1	2	5	0	0	0	0	0	13
30 - 34	0	1	0	0	2	12	0	0	0	0	0	15
35 - 39	1	2	1	0	0	12	4	0	0	0	0	20
40 - 44	1	0	0	1	0	10	8	4	0	0	0	24
45 - 49	0	0	0	0	0	3	2	5	1	0	0	11
50 - 54	0	0	0	0	0	2	0	1	0	0	0	3
55 - 59	0	0	0	0	0	1	1	1	0	0	0	3
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	8	5	4	2	4	45	15	11	1	0	0	95

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2012	90
b. Terminations	
i. Vested (partial or full) with deferred benefits	2 *
ii. Non-vested or full lump sum distribution received	1
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	0
g. Voluntary withdrawal	0
h. Continuing participants	87
i. New entrants	8
j. Total active life participants in valuation	95

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested Deferred *	DROP	<u>Total</u>
a. Number prior valuation	16	0	7	10	0	33
b. In	0	0	0	6	0	6
c. Out	0	0	0	1	0	1
d. Number current valuation	16	0	7	15	0	38

\* Non-vested Members awaiting a refund of member contributions.

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 2011-06)

<u>Original Plan Effective Date</u>	December 14, 1979
<u>Latest Amendment</u>	April 24, 2011
<u>Credited Service</u>	<p>a. Total aggregate period of service, including military leave if reemployed by City within 1 year of discharge under honorable conditions.</p> <p>b. Upon termination, prior Credited Service will be forfeited if refund of contributions elected, or if not reemployed within (5) years, and not vested at termination.</p>
<u>Average Final Compensation</u>	Average total W-2 earnings, plus tax deferred and tax exempt income, during the best 5 years of the last 10 years of service.
<u>Normal Retirement</u>	
Eligibility	The earlier of 1.) age 55 and the completion of 10 Years of Service or 2.) the completion of 25 Years of Service, regardless of age.
Benefit Amount	3.50% of Average Final Compensation <u>times</u> Credited Service
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 45 and 10 Years of Service.
Benefit Amount	Accrued benefit, reduced by 3% per year for each year prior to normal retirement if the Member has less than 15 years of service, 2% per year if the Member has at least 15 but less than 20 years of service or 1% per year of the Member has 20 or more years of service at the time of retirement. The normal retirement date is the earlier of 55 and 10 or when the Member would have reached 25 years of service.

Disability

## Service Connected

## Eligibility

a.) Years of Service: None

b.) Total and permanent disability prior to Normal Retirement Date.

## Benefit Amount

Greater of 1) 2% times Average Final Compensation times Credited Service, or 2) 60% of earnings in effect at time of disability (80% AFC minimum for intentional violence); 10 year certain and life annuity form of benefit (optional forms available).

## Non-Service Connected

## Eligibility

a.) 10 Years of Service.

b.) Total and permanent disability prior to Normal Retirement.

## Benefit Amount

Same as Service Connected except minimum 50% of earnings.

Supplemental Benefit

\$165 per month for all service retirees, disability retirees, vested terminated Members, and beneficiaries.

Pre-Retirement Death

Coverage from date of hire (service-incurred) or after 5 Years of Service (non-service). Benefit is 60% (Service incurred) or 50% (non-service) of compensation in effect at time of death payable to spouse for life (service incurred) or for life or until remarriage (non-service). If no spouse, children receive benefit in equal shares until age 18 (or age 23 if full-time student). Minimum benefit for vested Members is accrued benefit, less any benefits paid pursuant to other death benefit provisions.

Vesting (Termination)

Less than 10 years of Service

Refund of Member Contributions Contributing without interest.

10 years or more

Accrued benefit payable at age 45 or later, on reduced basis if to commence prior to age 55, or

## Refund of Member Contributions.

Contributions

Employee	8.0% of total compensation.
Premium Tax	0.85% tax on premiums for casualty insurance.
City	Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of <u>Florida Statutes</u> Chapter 112. In no event will City contributions be less than 18% of the Members' total pay.

Board of Trustees

- a. Two City residents appointed by the City Commission,
- b. Two Police Officers elected by a majority of Police Officers, and
- c. Fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements (earlier of (1) Age 55 and 10 years of Credited Service, or (2) the completion of 25 years of Credited Service, regardless of age).
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) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) 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)
10/1/2013	24,410,069	31,636,004	7,225,935	77.16%	6,963,252	103.77%
10/1/2012	20,712,234	30,107,281	9,395,047	68.79%	6,103,283	153.93%
10/1/2011	18,630,319	28,517,286	9,886,967	65.33%	6,201,790	159.42%
10/1/2010	17,561,488	25,885,339	8,323,851	67.84%	6,079,559	136.92%
10/1/2009	15,807,603	23,706,979	7,899,376	66.68%	6,052,200	130.52%
10/1/2008	14,362,581	20,570,262	6,207,681	69.82%	5,695,975	108.98%

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
2013	2,384,178	2,204,949	179,229 *	100.00%
2012	2,131,475	1,952,246	179,229 *	100.00%
2011	1,844,345	1,665,116	179,229 *	100.00%
2010	1,472,393	1,468,481	146,546 *	109.69%
2009	1,167,597	1,123,945	146,546 *	108.81%
2008	981,266	1,012,782	146,546 *	118.15%

\* Frozen per Chapter 185, Florida Statutes, as amended.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2013

City and State	38.00%
Plan Members	8.00%

Actuarially Determined Contribution (City and State)	2,384,178
Contributions made	2,384,178

Actuarial valuation date 10/1/2011

Actuarial cost method Entry Age Normal

Amortization method Level Percentage of Pay, Closed

Remaining amortization period 29 Years as of 10/1/2011

Asset valuation method 4 Year Smooth

Actuarial assumptions:

Investment rate of return	8.0% (as of 10/1/2011)
Projected salary increase*	7.5% (as of 10/1/2011)
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/13	2,410,069	99%	(755,269)
9/30/12	2,158,254	99%	(781,160)
9/30/11	1,855,575	99%	(807,939)



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 development of the Net Pension Obligation to date is as follows:

	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>	<u>9/30/13</u>
Actuarially Determined				
Contribution (A)		1,844,345	2,131,475	2,384,178
Interest on NPO		(65,533)	(64,635)	(62,493)
Adjustment to (A)		76,763	91,414	88,384
		-----	-----	-----
Annual Pension Cost		1,855,575	2,158,254	2,410,069
Contributions Made		1,844,345	2,131,475	2,384,178
		-----	-----	-----
Increase in NPO		11,230	26,779	25,891
NPO Beginning of Year		(819,169)	(807,939)	(781,160)
		-----	-----	-----
NPO End of Year	(819,169)	(807,939)	(781,160)	(755,269)