

CITY OF HALLANDALE BEACH
POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2013

CONTRIBUTIONS APPLICABLE TO THE CITY'S
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2015

April 2, 2014

Board of Trustees
City of Hallandale Beach
Police Officers' and Firefighters' Personnel Retirement Trust
c/o Ms. Audrey Ross
The Resource Centers, LLC
4360 Northlake Blvd, Suite 206
Palm Beach Gardens, FL 33410

Re: City of Hallandale Beach
Police Officers' and Firefighters' Personnel Retirement Trust

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust. 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, 175 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 Board of Trustees, 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.

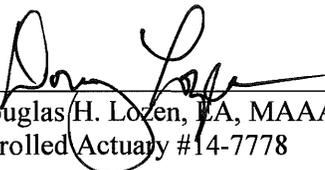
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Hallandale Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust. 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 #14-7778

DHL/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust, performed as of October 1, 2013, has been completed, and the results are presented in this Report. The contribution amounts developed in this valuation are applicable to the plan/fiscal year ended September 30, 2015.

The contribution requirements, compared with amounts developed in the July 25, 2013 Actuarial Impact Statement (determined as of October 1, 2012), 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 % of Total Annual Payroll	\$9,961,987	\$9,914,971
Member Contributions % of Total Annual Payroll	\$1,310,180	\$1,238,334
City and State Required Contribution % of Total Annual Payroll	\$8,651,807	\$8,676,637
State Contribution (1) % of Total Annual Payroll	\$620,891	\$620,891
Balance from City (1) % of Total Annual Payroll	\$8,030,916	\$8,055,746

(1) The City may use up to \$1,534,241 in State Contributions for determining its minimum funding requirements, based on the traditional interpretation of Chapter 99-1, Florida Statutes.

Please note the City has a contribution receivable in the amount of \$160,515.89 in addition to the above stated requirements for Fiscal 2014. A monthly interest charge of \$1,037 is required for each complete month after September 30, 2013 until this deposit is made. The interest charge is based on the 7.75% valuation assumption for investment return, and is required by the Division of Retirement for approval of the Annual Report.

As can be seen, the Total Required Contribution has remained stable since the previous valuation. This result is due to neutral overall actuarial experience during the past year, relative to the Plan's actuarial assumptions. The primary components of favorable experience included a 9.8% investment return (Actuarial Asset basis), which exceeded the 7.75% assumption, average increases in Pensionable Compensation that were less than the assumption, and favorable inactive mortality. These liability gains were partially offset by the effect of unfavorable retirement experience, lower than expected employee turnover, and the occurrence of a non-vested terminated Member who was previously awaiting a refund of contributions being granted a Disability Retirement.

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 to discuss the Report and answer any questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Douglas H. Lozen, EA, MAAA

By: 
Drew D. Ballard

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been various changes to the benefit structure since the previous valuation. Please refer to our July 25, 2013 Actuarial Impact Statement for a description of these changes.

Actuarial Assumption/Method Changes

In conjunction with the benefit changes referenced above, an enhancement to the details for assumed cost of living adjustments (COLA) was required. Please refer to the actuarial assumptions section of this report for the specific details regarding the assumed COLAs.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2013</u>	<u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	148	161
Service Retirees	138	133
Beneficiaries	12	13
Terminated Vested	5	4
Disability Retirees	9	9
DROP Retirees	18	11
Total	<u>330</u>	<u>331</u>
Total Annual Payroll	\$12,459,090	\$13,244,476
Payroll Under Assumed Ret. Age	11,738,849	12,443,197
Annual Rate of Payments to:		
Service Retirees	7,007,173	6,524,416
Beneficiaries	314,282	329,467
Terminated Vested	54,360	68,928
Disability Retirees	311,778	315,618
DROP Retirees	1,453,821	851,829
B. Assets		
Actuarial Value ¹	107,082,903	97,793,889
Market Value ¹	118,612,854	101,230,756
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	50,976,759	57,314,590
Disability Benefits	1,762,111	1,825,087
Death Benefits	493,947	514,227
Vested Benefits	3,950,822	4,067,435
Refund of Contributions	448,152	788,867
Service Retirees	86,456,510	81,170,610
Beneficiaries	2,194,247	2,420,564
Terminated Vested	465,727	603,302
Disability Retirees	2,926,063	2,749,293
DROP Retirees ¹	41,021,556	32,546,353
Excess State Monies Reserve	0	0
Total	<u>190,695,894</u>	<u>184,000,328</u>

	<u>10/1/2013</u>	<u>10/1/2012</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	80,384,301	83,589,086
Present Value of Future Member Cont.	7,636,509	7,940,963
Normal Cost (Entry Age)		
Service Ret	1,461,540	1,571,068
Dis Benefits	153,300	163,638
Death Benefits	37,813	40,825
Vest Benefits	239,418	259,978
Refunds	64,733	109,226
Total Normal Cost	<u>1,956,804</u>	<u>2,144,734</u>
Present Value of Future Normal Costs	12,888,643	13,716,060
Actuarial Accrued Liability		
Service Ret	41,119,980	46,988,857
Dis Benefits	713,856	730,008
Death Benefits	236,939	242,199
Vest Benefits	2,475,259	2,515,630
Refunds	197,114	317,452
Inactives ¹	133,064,103	119,490,122
Excess State Monies Reserve	0	0
Total Actuarial Accrued Liability	<u>177,807,251</u>	<u>170,284,268</u>
Unfunded Actuarial Accrued Liability	70,724,348	72,490,379
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	133,064,103	119,490,122
Actives	12,061,455	15,138,629
Member Contributions	9,427,802	10,130,704
Total	<u>154,553,360</u>	<u>144,759,455</u>
Non-vested Accrued Benefits	<u>4,804,011</u>	<u>6,306,650</u>
Total Present Value Accrued Benefits	159,357,371	151,066,105
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	6,494,211	
Benefits Paid	(9,540,860)	
Interest	11,337,915	
Other	0	
Total:	<u>8,291,266</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 ²	\$2,172,882	\$2,377,108
% of Total Annual Payroll		
Administrative Expense ²	158,650	143,840
% of Total Annual Payroll		
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/13) ²	7,583,439	7,441,039
% of Total Annual Payroll		
Total Required Contribution	9,914,971	9,961,987
% of Total Annual Payroll		
Expected Member Contributions ²	1,238,334	1,310,180
% of Total Annual Payroll		
Expected City & State Contrib.	\$8,676,637	\$8,651,807
% of Total Annual Payroll		

F. Past Contributions

Plan Year Ending:	<u>9/30/2013</u>
Total Required Contribution	9,331,112
City and State Requirement	8,140,920
Actual Contributions Made:	
Members	1,225,133
City	7,520,029
State	620,891
Total	<u>9,366,053</u>

G. Net Actuarial Gain (Loss) 128,358

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2012 and 09/30/2013.

² Contributions developed as of 10/1/2013 displayed above have been adjusted to account for assumed salary increase and interest components

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2013	\$70,724,348
2014	68,846,894
2015	66,671,977
2016	64,170,099
2017	61,309,209
2027	15,471,009
2042	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	5.3%	6.7%
Year Ended	9/30/2012	2.8%	6.6%
Year Ended	9/30/2011	2.0%	7.8%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	9.8%	7.75%
Year Ended	9/30/2012	2.6%	7.75%
Year Ended	9/30/2011	1.8%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2013	\$12,459,090
	10/1/2003	7,255,000
(b) Total Increase		71.7%
(c) Number of Years		10.00
(d) Average Annual Rate		5.56%

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 #14-7778

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	\$72,490,379
(2)	Sponsor Normal Cost developed as of October 1, 2012	962,630
(3)	Expected Administrative Expenses during the year ending September 30, 2013	129,779
(4)	Interest on (1), (2) and (3)	5,697,637
(5)	Sponsor Contributions to the System during the year ending September 30, 2013	8,140,920
(6)	Interest on (5)	286,799
(7)	Expected Unfunded Accrued Liability as of October 1, 2013 (1)+(2)+(3)+(4)-(5)-(6)	70,852,706
(8)	Change in UAAL due to (Gain)/Loss	(128,358)
(9)	Unfunded Accrued Liability as of October 1, 2013	\$70,724,348

	Date Established	Years Remaining	10/1/2013 Amount	Amortization Amount
Plan Amendment	10/1/1993	10	9,069,735	1,047,984
Assumption Change	10/1/1994	11	837,550	89,362
Method Change	10/1/1994	11	(1,923,975)	(205,278)
Assumption Change	10/1/1995	12	(847,979)	(84,232)
Assumption Change	10/1/1996	13	213,011	19,835
Plan Amendment	10/1/1997	14	3,136,736	275,407
Assumption Change	10/1/1999	16	317,892	25,176
Plan Amendment	10/1/2000	17	1,780,351	134,716
Plan Amendment	10/1/2001	18	5,536,646	401,640
Asset Method Change	10/1/2002	19	(2,923,490)	(203,926)
Assumption Change	10/1/2002	19	(1,606,717)	(112,075)
Plan Amendment	10/1/2002	19	11,318,717	789,529
Plan Amendment	10/1/2007	14	11,671,748	1,024,786
Plan Amendment	10/1/2009	26	(1,003,000)	(56,598)
Assumption Change	10/1/2010	17	2,376,762	179,845
Assumption Change	10/1/2011	18	1,555,278	151,354
Method Change	10/1/2011	18	30,161,012	2,935,164
Actuarial Loss	10/1/2012	9	5,140,604	755,797
Plan Amendment	10/1/2012	29	(3,958,175)	(321,612)
Actuarial Gain	10/1/2013	10	(128,358)	(17,554)
			<u>70,724,348</u>	<u>6,829,320</u>

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2012	72,490,379
(2)	Expected UAAL as of October 1, 2013	70,852,706
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(2,062,420)
	Salary Increases	(345,989)
	Active Decrements	1,855,046
	Inactive Mortality	(269,570)
	Other ¹	<u>694,575</u>
	Increase in UAAL due to (Gain)/Loss	(128,358)
(4)	Actual UAAL as of October 1, 2013	70,724,348

¹ Includes occurrence of a non-vested terminated Member previously awaiting a refund on contributions being granted a Disability Retirement.

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	<p>RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.</p> <p>Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.</p>	
<u>Interest Rate</u>	7.75% per year compounded annually, net of investment related expenses.	
<u>Retirement Rates</u>		
Early Retirement	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.	
Normal Retirement	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	50%
	1	50%
	2	100%
<u>Disability Rate</u>	See table on the following page. 75% of disabilities are assumed to be service-incurred.	
<u>Termination Rate</u>	See table on the following page.	
<u>Salary Increases</u>	10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.	
<u>Payroll Growth</u>	4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.	
<u>Administrative Expenses</u>	\$142,874.	
<u>Funding Method</u>	<p>Entry Age Normal Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:</p> <ul style="list-style-type: none"> • Interest – A half-year, based on the current 7.75% assumption. • Salary – A full-year, based on the current 6.9% average increase assumption. 	

Post Retirement COLA

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% per year for Normal Retirement.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:

2% per year for Normal Retirement, but limited to a total of eight (8) annual adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% per year for Normal Retirement, but limited to eight (8) adjustments once the \$95,000 maximum benefit is realized.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

None.

Actuarial Asset Method

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
20	0.14%	12.0%
25	0.15%	10.4%
30	0.18%	10.0%
35	0.23%	7.6%
40	0.30%	5.2%
45	0.51%	3.2%
50	1.00%	1.6%
55	1.00%	0.6%

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of 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.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms 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 sponsor contributions during the year.

EXCESS STATE MONIES RESERVE

	Firefighters' Distribution						Police Officers' Distribution		
	Regular Distribution			Special Distribution			Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve
Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve	Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve				
1998 - 2009	*	*	*	*	*	*	*	*	*
2010	393,106.07	759,862.66	0.00	4,719.34	4,719.34	0.00	244,679.51	769,659.00	0.00
2011	354,398.71	748,591.22	0.00	15,990.78	15,990.78	0.00	211,610.42	769,659.00	0.00
2012	361,394.93	718,657.42	0.00	45,924.58	45,924.58	0.00	227,691.58	769,659.00	0.00
2013	365,062.55	729,982.88	0.00	34,599.12	34,599.12	0.00	221,228.95	769,659.00	0.00
			0.00			0.00			0.00
Firefighters' Regular Excess			0.00						
Firefighters' Special Excess			0.00						
Police Officers' Excess			0.00						
Total State Monies Reserve			0.00						

* Accumulated Excess State Monies Prior to 2010 Utilized for Benefit Improvements.

** Reflects traditional interpretation of Chapter 99-1, Florida Statutes.

BALANCE SHEET
September 30, 2013

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	5,526,072.38	5,526,072.38
Prepaid Expenses	7,211.20	7,211.20
Pending Trades Receivable	269,319.97	269,319.97
Pending Trades Payable	(559,321.56)	(559,321.56)
Cash	37,088.84	37,088.84
 Total Cash and Equivalents	 5,280,370.83	 5,280,370.83
Receivable:		
Member Contributions in Transit	45,868.22	45,868.22
Additional City Contributions	160,515.89	160,515.89
Accrued Income	197,589.61	197,589.61
 Total Receivable	 403,973.72	 403,973.72
Investments:		
U. S. Bonds and Bills	4,611,122.93	4,568,511.27
Federal Agency Guaranteed Securities	4,576,338.53	4,691,132.82
Corporate Bonds	9,495,912.35	9,422,399.56
Stocks	57,744,342.81	72,499,987.46
Hedge Fund of Funds	15,225,000.00	17,012,159.60
Municipal Obligations	99,718.00	95,014.00
Mutual Funds:		
Equity	117,037.44	119,818.00
Pooled/Common/Commingled Funds:		
Real Estate	4,656,712.66	4,656,712.66
 Total Investments	 96,526,184.72	 113,065,735.37
 TOTAL ASSETS	 102,210,529.27	 118,750,079.92
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Unpaid Investment Expenses	128,755.69	128,755.69
Unpaid Administrative Expenses	8,470.50	8,470.50
 Total Liabilities	 137,226.19	 137,226.19
 Net Assets, including DROP Account Balances	 102,073,303.08	 118,612,853.73
 TOTAL LIABILITIES AND NET ASSETS	 102,210,529.27	 118,750,079.92

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

REVENUES

Contributions:		
Member	1,190,192.91	
Buy-Back	34,940.40	
City	7,520,028.88	
State	620,890.62	
Total Contributions		9,366,052.81
Earnings from Investments		
Interest & Dividends	2,016,933.20	
Miscellaneous Income	179,788.15	
Net Realized Gain (Loss)	9,398,275.53	
Unrealized Gain (Loss)	6,652,704.35	
Total Earnings and Investment Gains		18,247,701.23
EXPENDITURES		
Expenses:		
Investment Related ¹	547,922.92	
Administrative	142,873.64	
Total Expenses		690,796.56
Distributions to Members:		
Benefit Payments	7,521,986.75	
Lump Sum or Partial DROP Distributions	1,891,848.36	
Edgerton Settlement	32,617.05	
Termination Payments	94,407.37	
Total Distributions		9,540,859.53
Change in Net Assets for the Year		17,382,097.95
Net Assets Beginning of the Year		101,230,755.78
Net Assets End of the Year		118,612,853.73

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
September 30, 2013

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/Loss	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2013	2014	2015	2016	2017
09/30/2009	(5,183,578)	0	0	0	0	0
09/30/2010	507,598	101,520	0	0	0	0
09/30/2011	(6,643,194)	(2,657,278)	(1,328,639)	0	0	0
09/30/2012	10,320,575	6,192,345	4,128,230	2,064,115	0	0
09/30/2013	9,866,705	7,893,364	5,920,023	3,946,682	1,973,341	0
Total		11,529,951	8,719,614	6,010,797	1,973,341	0

Development of Investment Gain/Loss

Market Value of Assets, 09/30/2012, including DROP Benefits	101,230,756
Contributions Less Benefit Payments & Admin Expenses	(317,680)
Expected Investment Earnings*	7,833,073
Actual Net Investment Earnings	17,699,778
2013 Actuarial Investment Gain/(Loss)	<u>9,866,705</u>

*Expected Investment Earnings = $0.0775 * [101,230,756 + 0.5 * (317,680)]$

Development of Actuarial Value of Assets

Net Market Value of Assets, 09/30/2013	118,612,854
(Gains)/Losses Not Yet Recognized	(11,529,951)
Net Actuarial Value of Assets, 09/30/2013	<u>107,082,903</u>

(A) 09/30/2012 Actuarial Assets, including DROP Benefits: 97,793,889

(I) Net Investment Income:

1. Interest and Dividends	2,016,933
2. Miscellaneous Income	179,788
3. Realized Gains (Losses)	9,398,276
4. Change in Actuarial Value	(1,440,380)
5. Investment Expenses	(547,923)
Total	<u>9,606,694</u>

(B) 09/30/2013 Actuarial Assets, including DROP Benefits: 107,082,903

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 9.8%

Market Value of Assets Rate of Return: 17.5%

10/01/2013 Limited Actuarial Assets: 107,082,903

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

REVENUES

Contributions:		
Member	1,190,192.91	
Buy-Back	34,940.40	
City	7,520,028.88	
State	620,890.62	
Total Contributions		9,366,052.81
Earnings from Investments		
Interest & Dividends	2,016,933.20	
Miscellaneous Income	179,788.15	
Net Realized Gain (Loss)	9,398,275.53	
Change in Actuarial Value	(1,440,379.65)	
Total Earnings and Investment Gains		10,154,617.23
EXPENDITURES		
Expenses:		
Investment Related ¹	547,922.92	
Administrative	142,873.64	
Total Expenses		690,796.56
Distributions to Members:		
Benefit Payments	7,521,986.75	
Lump Sum or Partial DROP Distributions	1,891,848.36	
Edgerton Settlement	32,617.05	
Termination Payments	94,407.37	
Total Distributions		9,540,859.53
Change in Net Assets for the Year		9,289,013.95
Net Assets Beginning of the Year		97,793,888.78
Net Assets End of the Year ²		107,082,902.73

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2012 to September 30, 2013

09/30/2012 Balance	19,894,328.46
Plus Additions	943,415.74
Investment Return Earned	1,619,533.69
Less Distributions	(1,891,848.36)
09/30/2013 Balance	20,565,429.53

Assumption:

Form of benefit for four new DROP participants assumed to be the Normal Form

RECONCILIATION OF CITY'S SHORTFALL CONTRIBUTION FOR THE
FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2013

(1) City and State Required Contribution Rate (from the October 1, 2011 Actuarial Valuation Report)	64.98%
(2) Pensionable Payroll Derived from Member Contributions	\$12,528,346.42
(3) Required City and State Contribution (Item 1 times Item 2)	8,140,919.50
(4) Less Allowable State Contribution ¹	(620,890.62)
(5) Equals Required City Contribution	7,520,028.88
(6) Less Actual City Contributions	<u>(7,359,512.99)</u>
(7) Equals City's Shortfall Contribution as of September 30, 2013	\$160,515.89

¹ Reflects traditional interpretation of Chapter 99-1, Florida Statutes.

STATISTICAL DATA

	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>
Number	147	149	161	148
Average Current Age	37.4	37.9	38.3	38.3
Average Age at Employment	29.3	29.1	27.0	27.2
Average Past Service	8.1	8.7	11.3	11.1
Average Annual Salary	\$81,605	\$81,155	\$82,264	\$84,183

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	1	1	0	0	0	0	0	0	0	0	3
25 - 29	2	5	1	3	5	8	0	0	0	0	0	24
30 - 34	1	2	1	3	2	18	3	0	0	0	0	30
35 - 39	1	2	0	1	0	15	8	0	0	0	0	27
40 - 44	0	2	0	1	1	9	7	5	2	0	0	27
45 - 49	0	1	1	0	1	2	7	5	2	0	0	19
50 - 54	0	0	0	1	0	2	3	4	3	1	0	14
55 - 59	0	0	0	0	0	1	0	2	0	0	0	3
60 - 64	0	0	0	0	0	0	1	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	5	13	4	9	9	55	29	16	7	1	0	148

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/12	161
b. Terminations	
i. Vested (partial or full) with deferred benefits (including non-vested terminated members awaiting a refund of member contributions)	2 *
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	1
f. Entered DROP	11
g. Continuing participants	143
h. New entrants	5
i. Total active life participants in valuation	148

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

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested Deferred	DROP	Total
a. Number prior valuation	133	13	9	4	11	170
b. In	6	0	1	3	11	21
c. Out	1	1	1	2	4	9
d. Number current valuation	138	12	9	5	18	182

* Non-vested Members awaiting a refund on Accumulated Contributions.

SUMMARY OF PLAN PROVISIONS

<u>Eligibility</u>	Full-time employees who are classified as Police Officers or Firefighters participate as a condition of employment.
<u>Tier 1 Member</u>	Police Officers hired prior to March 20, 2013, or Firefighters hired prior to August 7, 2013.
<u>Tier 2 Member</u>	Police Officers hired on or after March 20, 2013, or Firefighters hired on or after August 7, 2013.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer or Firefighter.
<u>Pensionable Earnings</u>	Base salary, including Pick-Up Amounts, for all straight time hours worked, overtime, assignment pay, premium pay, state educational incentive payments and payments received for vacation, sick leave and bereavement leave taken in lieu of pay for actual services rendered. Basic Compensation shall not include bonuses, commissions, uniform or expense allowance, Outside Service Duty Detail Compensation, or payments for accrued sick leave, vacation, sick leave buyback amounts, or compensatory leave paid as a lump sum upon separation of service.
<u>Final Average Compensation</u>	<p><i>Tier 1:</i> Average of Pensionable Earnings for the two most recent completed calendar years prior to retirement or termination with the City.</p> <p><i>Tier 2:</i> Average of Pensionable Earnings for the five most recent completed calendar years prior to retirement or termination with the City.</p>
<u>Member Contributions</u>	9.5% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.

Normal Retirement

Date	Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.
Benefit	<p><i>Tier 1:</i> 3.20% of Final Average Compensation for all years of Credited Service.</p> <p><i>Tier 2:</i> 3.00% of Final Average Compensation for all years of Credited Service.</p>
Maximum Benefit	<p><i>Tier 1:</i> 80% of Final Average Compensation.</p> <p><i>Tier 2:</i> 75% of Final Average Compensation.</p> <p>Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.</p>
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 45 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting

Less than 5 Years	Refund of Member contributions without interest.
5-10 years	Refund of Member contributions with 3% interest through the termination date.
10 or more years	Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

10 years of Credited Service.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Service Incurred

75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation.

In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Non-Service Incurred

Accrued Benefit, less 64% of Social Security Disability Benefits received.

In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Duration

Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.

Death Benefits

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

10 years of Credited Service.

Benefit (Pre-Retirement)

Service Incurred

Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred

Accrued Benefit.

Benefit (Post-Retirement)

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

Form of Benefit

10 Year Certain and Life Annuity.

Health Care Stipend

Eligibility

Date of Employment prior to January 1, 1996.

The stipend is payable for all types of retirement benefits; DROP retirees do not receive the stipend while participating in the DROP.

Benefit

\$10 per month for each year of Credited Service, up to a maximum of \$200 per month.

Form of Benefit

Payable for the life of the retiree and any survivor, if a joint and survivor option is chosen by the Retiree.

Cost of Living Increases

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:

2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

Not entitled to any automatic COLA structure.

Deferred Retirement Option Plan (Tier 1 Only)

Eligibility	Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.
Participation	Not to exceed 60 months.
Rate of Return	Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.
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) - EAN Method (b) *	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/13	107,082,903	177,807,251	70,724,348	60.22%	12,459,090	567.65%
10/01/12	97,793,889	174,280,586	76,486,697	56.11%	13,244,476	577.50%
10/01/11	74,817,891	148,219,798	73,401,907	50.48%	12,199,319	601.69%
10/01/10	73,356,988	112,129,949	38,772,961	65.42%	11,995,957	323.22%
10/01/09	86,509,517	123,895,500	37,385,983	69.82%	11,034,615	338.81%

* Funding method switched from FIL to Entry Age Normal effective October 1, 2011.

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	8,140,920	7,520,029	620,891	100.00%
2012	9,137,817	8,509,003	635,011	100.07%
2011	8,110,548	7,528,548	582,000	100.00%
2010	7,320,389	6,907,038	642,505	103.13%
2009	7,527,340	7,016,066	511,274	100.00%

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/13

City and State	64.98%
Plan Members	9.50%
Actuarially Determined Contribution (City and State)	8,140,920
Contributions made (City and State)	8,140,920
Actuarial valuation date	10/1/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	28 Years (as of 10/1/2011)
Asset valuation method	5 Year Smooth (Market)
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase*	4.5% to 10% based on service
* Includes inflation at	4.0%
Post Retirement COLA	2% per year (with exceptions) for Normal and DROP Retirees on and after 10/1/2002

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	8,182,063	99.50%	(653,200)
9/30/2012	9,163,610	99.79%	(694,343)
9/30/2011	8,129,129	99.77%	(713,938)

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>9/30/11</u>	<u>9/30/12</u>	<u>9/30/13</u>
Actuarially Determined			
Contribution (A)	8,110,548	9,137,817	8,140,920
Interest on NPO	(58,602)	(57,115)	(53,812)
Adjustment to (A)	77,183	82,908	94,955
	-----	-----	-----
Annual Pension Cost	8,129,129	9,163,610	8,182,063
Contributions Made	8,110,548	9,144,014	8,140,920
	-----	-----	-----
Increase in NPO	18,581	19,595	41,143
NPO Beginning of Year	(732,519)	(713,938)	(694,343)
	-----	-----	-----
NPO End of Year	(713,938)	(694,343)	(653,200)