



February 3, 2012

VIA E-MAIL

Mr. Jim Isom, Administrative Services Director
City of Sanibel
800 Dunlop Road
Sanibel, FL 33957

Re: City of Sanibel
General Employees' Retirement Plan
Special Actuarial Analysis

Dear Jim:

As requested at the January 18, 2012 Board meeting, we have performed a special actuarial analysis to determine the change in funding requirements and liabilities associated with the following:

- A change in the actuarial cost method.
- A lump sum payment toward the Unfunded Actuarial Accrued Liability (UAAL) of \$2 million.
- A change in the actuarial asset method.
- A reduction in the amortization period of the UAAL.
- A decrease in the investment return assumption from 7.5% to 7.0%.

Results of this analysis, determined as of October 1, 2011 (as applicable to the fiscal year beginning October 1, 2012) are provided on the enclosed schedule.

For purposes of this analysis, please note that the lump sum deposit toward the UAAL was used to reduce the 2004 Method Change Base. On a weighted basis, this will shift more of the City's future contributions to the principal components of the remaining UAAL bases.

I look forward to discussing details of this study at the February 10 meeting.

If you have any questions regarding this correspondence, please let me know.

Sincerely,

Douglas H. Lozen, EA, MAAA

DHL/rv

Enclosure

City of Sanibel
 General Employees' Retirement Plan
 Special Actuarial Analysis

Method and Assumption Changes for the Purpose of Accelerating the Increase in the Plan's Future Funded Ratios
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Determined as of October 1, 2011

Ranked by Increasing Funded Ratios

Funding Option	Expected City Contribution % of Payroll (1)	Investment Return Assumption	Actuarial Cost Method	Asset Method	UAAL Max Amortization Period	Lump Sum Payment to UAAL (2)	Estimated City Dollar Requirement (1)	Unfunded Actuarial Accrued Liability (UAAL)	GASB 25 Funded Ratio (3)	FASB 35 Funded Ratio (4)
Current	128.65%	7.5%	Entry Age	Actuarial	29 Years	0	1,680,260	11,365,824	51.41%	50.57%
A	133.93%	7.5%	Entry Age	Market	29 Years	0	1,749,221	11,856,379	49.31%	50.57%
B	125.13%	7.5%	FIL	Actuarial	29 Years	0	1,634,287	11,365,824	51.41%	50.57%
C	144.82%	7.5%	Entry Age	Actuarial	10 Years	0	1,891,452	11,365,824	51.41%	50.57%
D	138.48%	7.0%	FIL	Market	10 Years	2,000,000	1,808,647	11,252,776	54.60%	56.00%
E	125.05%	7.5%	FIL	Market	10 Years	2,000,000	1,633,242	9,856,379	57.86%	59.34%
F	114.98%	7.5%	Entry Age	Actuarial	29 Years	2,000,000	1,501,720	9,365,824	59.96%	59.34%

(1) Contributions are based on a Total Annual Payroll in the amount of \$1,306,071.

(2) The lump sum payment initially applied was used to reduce the 2004 Method Change Base.

(3) Ratio determined by the following formula: Actuarial Value of Assets divided by Total Actuarial Accrued Liability.

(4) Ratio determined by the following formula: Market Value of Assets divided by Total Present Value of Accrued Benefits.