

May 4, 2012

VIA E-MAIL

Board of Trustees
City of Sanibel
General Employees' Retirement Plan
800 Dunlop Road
Sanibel, FL 33957

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

Dear Board:

As requested at the April 5 Board Meeting, we have performed a twenty-year cost projection of the City's General Employees' Retirement Plan based on the following method and assumption changes:

- Asset methodology – change from four-year smoothing to pure Market Value.
- Amortization period for payment of the Unfunded Actuarial Accrued Liability (UAAL) – Maximum of 10 years.
- Investment assumption – reduce from 7.50% to 6.75%.

In addition to the above, a \$2.0 million lump sum contribution is assumed as payment toward the 2004 UAAL method change base.

Except as otherwise disclosed in this correspondence, methods, assumptions, asset values, and demographic information utilized for performance of the October 1, 2011 actuarial valuation were used for the projections.

1. Exhibit A

Exhibit A discloses the required lump sum contribution required to fully pay for the increase in the Actuarial Accrued Liability associated with reducing the investment return assumption.

Funding Option A sets forth the method changes approved by the Board at the April 5 meeting, i.e. market value of assets with a 10 year maximum amortization period for the UAAL. Also reflected in this option is the \$2.0 million additional City contribution.

Options B, C, and D show the required additional City contribution necessary to pay for the increase in the Actuarial Accrued Liability for a reduction in the investment return assumption. For example, Option B (7.25% investment assumption) requires an additional lump sum payment of \$682,224 (in addition to the \$2.0 million lump sum contribution already made).

2. Exhibit B – Projected City Contribution Requirements

Exhibit B discloses twenty-year projections of the expected City contribution requirements for the various investment return assumptions. For each projection, asset growth is assumed at the current assumption (7.5% net-of-fees).

As you can see, expected actuarial gains for each scenario, generated as a result of asset growth that exceeds the assumption, results in reduced City contribution requirements compared to the current 7.5% assumption.

3. Exhibit C – GASB 25 Funded Ratio

Exhibit C discloses twenty-year projections of the expected GASB 25 Funded Ratio for the various investment return assumptions. For each projection, asset growth is assumed at the current assumption (7.5% net-of-fees).

As with Exhibit B, expected actuarial gains for each scenario, generated as a result of asset growth that exceeds the assumption, results in a faster growth in the funded ratio compared to the current 7.5% assumption.

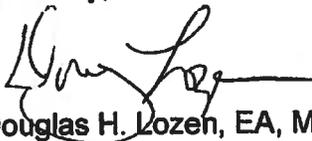
Board of Trustees
May 4, 2012
Page 3

4. Caveat

It is important to keep in mind that these cost projections are estimates only, based on assets, demographics, methods, and assumptions used for performance of the October 1, 2011 actuarial valuation. Actual funding requirements are subject to future Plan experience, and could be higher or lower than those shown in this study.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas H. Lozen", with a horizontal line extending to the right.

Douglas H. Lozen, EA, MAAA

DHL/rv
Enclosures

City of Sanibel
 General Employees' Retirement Plan
 Special Actuarial Analysis
 Exhibit A

Method and Assumption Changes for the Purpose of Accelerating the Increase in the Plan's Future Funded Ratios

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	Entry Age	Asset Method	Actuarial	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%	7.50%	Entry Age	Actuarial	29 Years	0	1,680,260	11,365,824	51.41%	50.57%		
A	128.58%	7.50%	Entry Age	Market	10 Years	2,000,000	1,679,346	9,856,379	57.86%	59.34%		
B	128.04%	7.25%	Entry Age	Market	10 Years	2,682,224	1,672,293	9,856,379	59.06%	60.56%		
C	127.54%	7.00%	Entry Age	Market	10 Years	3,396,397	1,665,763	9,856,379	60.24%	61.78%		
D	127.07%	6.75%	Entry Age	Market	10 Years	4,144,453	1,659,624	9,856,379	61.40%	62.97%		

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

(2) \$2,000,000 lump sum contribution, plus an amount to cover the increase in the Accrued Liability for the reduction in the investment return assumption.

(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.

Exhibit B

**City of Sanibel
General Employees' Retirement Plan
Twenty-Year Projection of Expected City Contribution Rates
Investment Return Assumptions Compared to 7.5% Asset Growth**

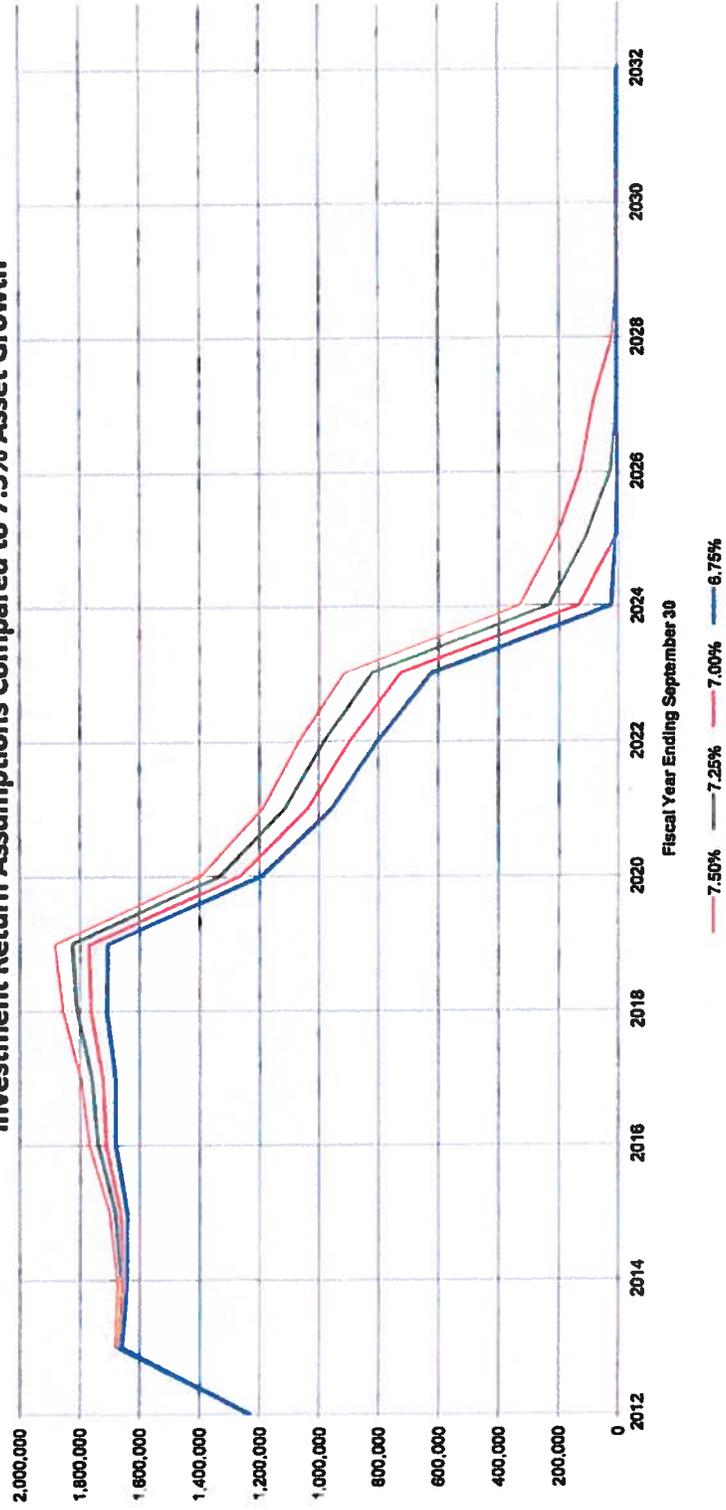


Exhibit C

City of Sanibel General Employees' Retirement Plan

Twenty-Year Projection of Plan's Expected GASB 25 Funded Ratio Investment Return Assumptions Compared to 7.5% Asset Growth

