

CITY OF SANIBEL  
MUNICIPAL POLICE OFFICERS'  
RETIREMENT TRUST FUND

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE PLAN/FISCAL  
YEAR ENDED SEPTEMBER 30, 2014

February 11, 2013

Board of Trustees  
City of Sanibel Municipal Police Officers'  
Retirement Trust Fund  
800 Dunlop Road  
Sanibel, FL 33957-4096

Re: City of Sanibel  
Municipal Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Sanibel Municipal Police Officers' Retirement 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(s).

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 Sanibel, financial reports prepared by the custodian bank, SunTrust 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 Sanibel, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Sanibel Municipal Police Officers' Retirement 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:

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

DHL/Ike

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Sanibel Municipal Police Officer's Retirement Trust Fund, performed as of October 1, 2012, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2014.

The contribution requirements, compared with those developed in the October 1, 2011 Actuarial Valuation, are as follows:

Valuation Date	10/1/11	10/1/12
Applicable Plan Year End	<u>9/30/13</u>	<u>9/30/14</u>
Total Required Contribution % of Total Annual Payroll	63.27%	79.70%
Member Contributions (Est.) % of Total Annual Payroll	8.00%	8.00%
City and State Required Contribution % of Total Annual Payroll	55.27%	71.70%
State Contribution (est.) * % of Total Annual Payroll	63,574 4.95%	63,574 4.95%
Balance from City * % of Total Annual Payroll	50.32%	66.75%

\* The City may use up to \$111,941 in State Contributions for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 71.70% of Pensionable Earnings for the fiscal year ending September 30, 2014. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$111,941).

As can be seen, the Total Required Contribution has increased when expressed as a percentage of Total Annual Payroll. This increase is the result of net unfavorable experience over the past year, on the basis of the Plan's actuarial assumptions. The primary components of unfavorable actuarial experience included a 6.7% investment return (Actuarial Asset Basis) that fell below the 8.0% assumption, and no employee turnover. These losses were partially offset by the effect of average increases in Pensionable Earnings that were below the assumed rate by more than 7.5%.

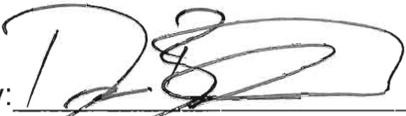
In addition to the experience loss described above, it is important to point out that the increase in funding requirements since the previous valuation is partially attributable to a 15.9% decrease in Total Annual Payroll, along with a decrease in the payroll growth assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability (UAAL). These decreases each have the effect of increasing the cost of servicing the UAAL, when expressed as a percentage of payroll.

For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for DROP participants, is approximately 51% for the fiscal year ending September 30, 2014. Similarly, the City's funding requirement for the 2013 fiscal year is approximately 38.5% when an estimate for the DROP payroll is included. It is important to note that these funding rates are for illustration purposes only. The City should budget based on the percentages shown on page 5.

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:   
Drew D. Ballard

By:   
Douglas H. Lozen, EA, MAAA

### Plan Changes Since Prior Valuation

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

### Actuarial Assumption/Method Changes Since Prior Valuation

In conjunction with the October 1, 2012 actuarial valuation, accumulated DROP Balances are disclosed as a liability, and are also included in the Market and Actuarial Value of Assets. For the purpose of consistency, this change is made retroactively to October 1, 2011. Accordingly, this change is reflected in both columns of the Comparative Summary section of this report.

Additionally, the payroll growth assumption utilized for amortization of the Unfunded Actuarial Accrued Liability was decreased from 4.2% to 2.8%. This reduction is required pursuant to provisions of the Florida Administrative Code. Any use of a payroll growth assumption is limited to the ten-year average growth in Total Annual Payroll as of the valuation date.

## Comparative Summary of Principal Valuation Results

	<u>10/1/2012</u>	<u>10/1/2011</u>
A. Participant Data		
Number Included		
Actives	18	21
Service Retirees	15	14
DROP Retirees	3	1
Beneficiaries	1	1
Terminated Vested	6	6
Disability Retirees	2	2
Total	<u>45</u>	<u>45</u>
Total Annual Payroll	\$1,284,662	\$1,527,468
Payroll Under Assumed Ret. Age	1,284,662	1,527,468
Annual Rate of Payments to:		
Service Retirees	543,220	474,763
DROP Retirees	263,914	86,046
Beneficiaries	10,432	10,432
Terminated Vested	82,812	82,812
Disability Retirees	24,876	24,876
B. Assets		
Actuarial Value <sup>1</sup>	11,069,940	9,196,611
Market Value <sup>1</sup>	11,397,390	8,638,969
C. Liabilities		
Present Value of Benefits		
Active Members <sup>2</sup>		
Retirement Benefits	7,682,339	10,065,778
Disability Benefits	210,427	263,216
Death Benefits	69,640	93,677
Vested Benefits	588,307	840,902
Refund of Contributions	2,932	43,187
Service Retirees	6,091,035	4,900,186
DROP Retirees <sup>1</sup>	4,891,286	1,781,957
Beneficiaries	82,353	84,662
Terminated Vested	431,747	384,491
Disability Retirees	209,331	214,626
Excess State Monies Reserve	27,317	27,317
Total	<u>20,286,714</u>	<u>18,699,999</u>

	<u>10/1/2012</u>	<u>10/1/2011</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	10,742,996	12,004,366
Present Value of Future Member Cont.	859,440	860,413
Normal Cost (Entry Age Normal) <sup>2</sup>		
Retirement Benefits	289,708	319,811
Disability Benefits	13,951	12,345
Death Benefits	3,266	3,672
Vested Benefits	40,447	36,472
Refund of Contributions	1,335	2,454
Total Normal Cost	<u>348,707</u>	<u>374,754</u>
Present Value of Future Normal Costs	2,786,560	2,849,129
Actuarial Accrued Liability (Entry Age Normal) <sup>2</sup>		
Retirement Benefits	5,321,272	7,722,145
Disability Benefits	100,113	156,028
Death Benefits	41,914	61,911
Vested Benefits	302,883	503,276
Refund of Contributions	903	14,271
Inactives plus state reserve <sup>1</sup>	11,733,069	7,393,239
Total Accrued Liability	<u>17,500,154</u>	<u>15,850,870</u>
Unfunded Actuarial Accrued Liability	6,430,214	6,654,259
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives <sup>1</sup>	11,705,752	7,365,922
Actives	2,178,073	4,180,056
Member Contributions	868,963	1,107,664
	<u>14,752,788</u>	<u>12,653,642</u>
Total	14,752,788	12,653,642
Non-vested Accrued Benefits	<u>701,268</u>	<u>70,826</u>
Total Present Value Accrued Benefits	15,454,056	12,724,468
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	2,308,844	
Benefits Paid	(574,244)	
Interest	994,988	
Other	0	
	<u>2,729,588</u>	
Total:	2,729,588	

Valuation Date Applicable to Fiscal Year Ending	10/1/2012 <u>9/30/2014</u>	10/1/2011 <u>9/30/2013</u>
<b>E. Pension Cost</b>		
Normal Cost (with interest) % of Total Annual Payroll <sup>3</sup>	28.23	25.52
Administrative Expense (with interest) % of Total Annual Payroll <sup>3</sup>	3.40	2.78
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 23 years as of 10/1/12 (with interest) % of Total Annual Payroll <sup>3</sup>	48.07	34.97
Total Required Contribution % of Total Annual Payroll <sup>3</sup>	79.70	63.27
Expected Member Contributions % of Total Annual Payroll <sup>3</sup>	8.00	8.00
Expected City & State Contrib. % of Total Annual Payroll <sup>3</sup>	71.70	55.27

**F. Past Contributions**

Plan Year Ending:	<u>9/30/2012</u>
Total Required Contribution	795,273
City and State Requirement	687,550
Actual Contributions Made:	
Members	107,723
City	1,657,731
State	63,574
Total	<u>1,829,028</u>

G. Net Actuarial Gain (Loss) (727,342)

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2011 and 09/30/2012.

<sup>2</sup> A portion of Retirement liabilities was previously allocated to Vested Benefits.

<sup>3</sup> Contributions developed as of 10/1/12 are expressed as a percentage of total annual payroll at 10/1/12 of \$1,284,662.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$6,430,214
2013	6,303,389
2014	6,148,463
2019	4,907,860
2024	2,993,785
2034	68,384
2035	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	-0.7%	7.0%
Year Ended	9/30/2011	0.4%	7.0%
Year Ended	9/30/2010	0.6%	7.0%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	6.7%	8.0%
Year Ended	9/30/2011	-0.5%	8.0%
Year Ended	9/30/2010	3.0%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	1,284,662
	10/1/2002	976,875
(b) Total Increase		31.5%
(c) Number of Years		10.00
(d) Average Annual Rate		2.8%

## 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

Patricia Shoemaker  
Municipal Police and Fire  
Pension Trust Funds  
Division of Retirement  
Post Office Box 3010  
Tallahassee, FL 32315-3010

Reconciliation of Unfunded Actuarial Accrued Liability

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$6,654,259
(2)	Sponsor Normal Cost developed as of October 1, 2011	252,557
(3)	Expected Administrative Expenses during fiscal 2012	40,856
(4)	Interest on (1), (2) and (3)	554,180
(5)	Sponsor Contributions to the System during the year ending September 30, 2012 *	1,721,305
(6)	Interest on (5)	77,675
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	5,702,872
(8)	Change to UAAL due to Actuarial (Gain)/Loss	727,342
(9)	Unfunded Accrued Liability as of October 1, 2012	6,430,214

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
	10/1/1994	12	233,687	25,179
	10/1/2000	18	(178,618)	(14,611)
	10/1/2001	19	402,011	31,814
method change	10/1/2004	22	1,288,162	93,647
actuarial loss	10/1/2004	16	1,220,337	107,625
benefit change	10/1/2005	23	662,855	47,034
assum. change	10/1/2005	23	(137,475)	(9,755)
actuarial gain	10/1/2005	16	(165,825)	(14,625)
actuarial loss	10/1/2006	16	358,565	31,623
actuarial loss	10/1/2007	16	1,007,434	88,848
actuarial loss	10/1/2008	6	252,388	47,419
method change	10/1/2008	16	316,227	27,889
actuarial gain	10/1/2009	7	(566,572)	(93,398)
actuarial loss	10/1/2010	8	458,512	67,685
assum. change	10/1/2010	18	276,794	22,641
assum. change	10/1/2010	18	(151,969)	(12,431)
actuarial loss	10/1/2011	9	426,359	57,245
actuarial loss	10/1/2012	10	727,342	89,913
			6,430,214	593,742

\* Includes \$1.0 million additional City contribution utilized for purposes of paying down the Unfunded Actuarial Accrued Liability.

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	<p>RP 2000 Combined Healthy – Sex Distinct. Disabled lives are 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>	8% per year compounded annually, net of investment related expenses.
<u>Retirement Age</u>	Two years after the earlier of Age 60 with 5 years of service, age 55 with 10 years of service, or 25 years of service regardless of age. Also, any member who has reached Normal Retirement plus two years is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing at eligibility for Early Retirement (age 50), members are assumed to retire with an immediate benefit at the rate of 2% per year.
<u>Disability Rate</u>	See table on following page (1202). It is assumed that 75% of disablements and active Member deaths are service related.
<u>Termination Rate</u>	See table on following page.
<u>Salary Increases</u>	7% per year until the assumed retirement age; see table on following page. Projected salary in the year of retirement is increased 10% for Members who had 10 or more years of Credited Service as of September 30, 2011 and 5% for Members who had less than 10 years of Credited Service as of September 30, 2011. These increases are to account for non-regular compensation.
<u>Administrative Expenses</u>	\$41,976
<u>Cost-of-Living Adjustment</u>	3.0% automatic COLA to Normal and Early Retirees, beginning one year after retirement.
<u>Payroll Growth Assumption</u>	Up to 2.8% annually
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 57</u>
20	15.0%	0.051%	8.2%
30	8.2	0.058	16.1
40	4.0	0.121	31.7
50	2.7	0.429	62.3

## VALUATION NOTES

Total Annual Payroll is the projected 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.

## PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1989	18,017.46	_____ %
1990	20,957.20	16.3%
1991	21,417.65	2.2%
1992	22,377.46	4.5%
1993	22,374.08	0.0%
1994	25,586.99	14.4%
1995	25,462.73	-0.5%
1996	29,796.30	17.0%
1997	33,568.08	12.7%
1998	30,273.87	-9.8%
1999	31,593.25	4.4%
2000	36,011.30	14.0%
2001	35,448.08	-1.6%
2002	38,571.02	8.8%
2003	43,515.50	12.8%
2004	46,642.40	7.2%
2005	0.00	-100.0%
2006	98,026.48	N/A
2007	50,725.64	-48.3%
2008	53,654.13	5.8%
2009	57,459.31	7.1%
2010	58,716.36	2.2%
2011	57,486.63	-2.1%
2012	63,573.88	10.6%

## Excess State Monies Reserve

	<u>Actual State Distribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>
1998	30,273.87	30,273.87	0.00
1999	31,593.25	30,273.87	1,319.38
2000	36,011.30	30,273.87	5,737.43
2001	35,448.08	30,273.87	5,174.21
2002	38,571.02	35,354.87	3,216.15
2003	43,515.50	35,354.87	8,160.63
2004	46,642.40	35,354.87	11,287.53
2005	0.00 *	0.00 *	0.00
2006	98,026.48	70,709.74	27,316.74
2007	50,726.00	111,940.87	0.00
2008	53,654.13	111,940.87	0.00
2009	57,459.31	111,940.87	0.00
2010	58,716.36	111,940.87	0.00
2011	57,486.63	111,940.87	0.00
2012	63,573.88	111,940.87	<u>0.00</u>
Reserve used for Ordinance 06-014			(34,895.33)
Total Accumulation			27,316.74

\* FY 2005 state contribution was not available until FY 2006.

City of Sanibel  
Municipal Police Officers' Retirement Trust Fund

BALANCE SHEET  
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	238,781.13	238,781.13
Total Cash and Equivalents	238,781.13	238,781.13
Receivable:		
State Contributions	63,573.88	63,573.88
Accrued Income	17,956.66	17,956.66
Total Receivable	81,530.54	81,530.54
Investments:		
Corporate Stocks/REITs	5,469,378.92	6,132,411.27
Mutual Funds:		
Fixed Income	3,626,021.53	3,712,816.83
Pooled/Common/Commingled Funds:		
Equity	1,006,704.76	1,235,407.86
Total Investments	10,102,105.21	11,080,635.96
TOTAL ASSETS	10,422,416.88	11,400,947.63
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Unpaid Investment Expenses	3,557.30	3,557.30
Total Liabilities	3,557.30	3,557.30
Net Assets, including DROP Account Balances	10,418,859.58	11,397,390.33
TOTAL LIABILITIES AND NET ASSETS	10,422,416.88	11,400,947.63



City of Sanibel  
Municipal Police Officers' Retirement Trust Fund

ACTUARIAL ASSET VALUATION  
September 30, 2012

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*	
9/30/09	2.28%	
9/30/10	10.25%	
9/30/11	-1.37%	
9/30/12	16.71%	
Annualized Rate of Return for prior four (4) years:		6.74%
(A) 10/01/11 Actuarial Assets:		\$9,196,611.40
(I) Net Investment Income:		
1. Interest and Dividends		320,133.26
2. Realized Gains (Losses)		37,175.75
3. Change in Actuarial Value		345,799.42
4. Investment Related Expenses		(42,587.14)
Total		660,521.29
(B) 10/01/12 Actuarial Assets:		\$11,069,939.96
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :		6.74%
10/01/12 Limited Actuarial Assets:		\$11,069,939.96

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

City of Sanibel  
Municipal Police Officers' Retirement Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2012  
Actuarial Asset Basis

REVENUES

Contributions:		
Member	107,722.63	
City	1,657,730.88	
State	63,573.88	
<b>Total Contributions</b>		<b>1,829,027.39</b>
Earnings from Investments		
Interest & Dividends	320,133.26	
Net Realized Gain (Loss)	37,175.75	
Change in Actuarial Value	345,799.42	
<b>Total Earnings and Investment Gains</b>		<b>703,108.43</b>
	<b>EXPENDITURES</b>	
Expenses:		
Investment Related <sup>1</sup>	42,587.14	
Administrative	41,976.41	
<b>Total Expenses</b>		<b>84,563.55</b>
Distributions to Members:		
Benefit Payments	552,849.16	
Lump Sum DROP Balances	21,394.55	
Termination Payments	0.00	
<b>Total Distributions</b>		<b>574,243.71</b>
<b>Change in Net Assets for the Year</b>		<b>1,873,328.56</b>
<b>Net Assets Beginning of the Year<sup>2</sup></b>		<b>9,196,611.40</b>
<b>Net Assets End of the Year<sup>3</sup></b>		<b>11,069,939.96</b>

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

<sup>2</sup>Net Assets include DROP account balances at the beginning of the year.

<sup>3</sup>Net Assets may be limited for actuarial consideration.



### ELIGIBILITY FOR RETIREMENT

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

- 1.) Earlier of Age 60 and 5 Years of Credited Service, or
- 2.) Age 55 with 10 Years of Credited Service, or
- 3.) 25 Years of Service, regardless of Age.

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

- 1) Attained Age 50 with 5 Years of Credited Service

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

Normal Retirement

None

Early Retirement

CRANDON, F.R.  
KRIVAS, G.A.  
STEELE, M.T.

## STATISTICAL DATA

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Number	24	22	21	18
Average Current Age	43.8	44.1	44.0	42.8
Average Age at Employment	31.7	31.4	30.4	31.9
Average Past Service	12.1	12.7	13.6	10.9
Average Annual Salary	\$71,984	\$71,950	\$72,737	\$71,370

\* Prior to October 1, 2012, averages were salary weighted.

Retirees and Beneficiaries

<u>Name</u>	<u>Status</u>	<u>Benefit</u>
R. Noon	Retired	\$293.68
T. Applegate	Disability Retiree	824.46
M.E. Weir	Retired	1,882.53
R.H. Plager	Retired	1,510.78
R. Christiansen	Retired	1,478.51
C. Dobbs	Beneficiary	869.35
J. Cali	Disability Retiree	1,248.56
K. Morehouse	Retired (Window)	2,466.34
E. Church	Retired (Window)	2,897.92
M. Blackmore	Retired (Window)	3,635.64
L. Phillips Jr.	Retired	5,034.89
Primm, John	Retired	3,760.56
Sposato, Patsy	Retired	1,995.88
Jalbert, David	Retired	985.99
Ashby, Scott	Retired (DROP)	7,170.47
Holovacko, James	Retired	983.89
Murray, Michael	Retired	8,852.30
Slater, John	Retired	2,381.24
Cooper, Michael	Retired	7,108.22
Phillips, James	Retired (DROP)	6,231.91
Tomlinson, William	Retired (DROP)	8,590.44

## 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	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	1	0	0	0	0	0	1
30 - 34	0	0	0	1	0	2	0	0	0	0	0	3
35 - 39	0	0	0	0	0	2	0	0	0	0	0	2
40 - 44	0	0	0	0	0	2	0	2	0	0	0	4
45 - 49	0	0	0	0	0	1	0	1	1	0	0	3
50 - 54	0	0	0	0	2	0	1	2	0	0	0	5
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	1	2	8	1	5	1	0	0	18

## MEMBER RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/11	21
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	1
f. DROP	2
g. Voluntary withdrawal	0
h. Continuing participants	18
i. New entrants	0
j. Total active life participants in valuation	18

## 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>DROP</u>	<u>Total</u>
a. Number prior valuation	14	1	2	6	1	24
b. In	1	0	0	0	2	3
c. Out	0	0	0	0	0	0
d. Number current valuation	15	1	2	6	3	27

SUMMARY OF CURRENT PLAN  
(Through Ordinance 11-010)

CREDITED SERVICE	Years and completed months of continuous employment as a Police Officer.
AVERAGE FINAL COMPENSATION	Average compensation (excluding OT in excess of 300 hours per year, but including lump sum accruals determined as of 9/30/2011) paid during the five (5) highest years of service.
NORMAL RETIREMENT	
Eligibility	Earlier of 1) age 60 with 5 vesting credits, or 2) age 55 with 10 vesting credits, or 3) 25 vesting credits regardless of age.
Benefit Amount	3% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	10 years certain and life thereafter. Options available
Maximum Benefit	90% of Average Final Compensation.
EARLY RETIREMENT	
Eligibility	Age 50 and attainment of 5 vesting credits.
Benefit Amount	Accrued benefit, reduced 2.5% for each year prior to Normal Retirement Date.
COST-OF-LIVING ADJUSTMENT	To all Normal and Early Retirees after October 17, 2006, 3% automatic COLA, beginning on the first October 1 following retirement.
DISABILITY	
Eligibility	a) 10 years of contributing service for non-service related; coverage from date of hire for service-incurred.

Benefit Amount	3% of Average Final Compensation times Credited Service, but not less than 42% of Average Final Compensation for service related disabilities and not less than 25% of Average Final Compensation for non-service incurred.
<b>DEATH</b>	
Vested Member	Accrued pension paid to beneficiary at otherwise Early Retirement Date (reduced basis) or Normal Retirement Date. Benefit paid for 10 years.
Non-Vested Member	Beneficiary receives refund of Member's Contributions.
<b>VESTING (TERMINATION)</b>	
Less than 5 years of Credited Service	Refund of Member Contributions.
5 years or more	Accrued benefit payable at age 50 or later, on a reduced basis if to commence prior to Normal Retirement Date, or Refund of Member Contributions.
<b>SUPPLEMENTAL BENEFIT</b>	\$36.00 times Credited Service paid monthly to Age 67. Minimum payment period is 5 years.
<b>CONTRIBUTIONS</b>	
Employee	8% of total pay until Normal Retirement Age, 4% thereafter.
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 over 30 years.

**DEFERRED RETIREMENT  
OPTION PLAN**

Eligibility	Satisfaction of Normal Retirement Requirements.
Participation	Not to exceed 60 months.
Rate of Return	4% annual rate, credited quarterly
Distribution	Lump sum at termination of employment.

**BOARD OF TRUSTEES**

- a) Two City Council appointees,
- b) Two Members of the System elected by a majority of the other covered Police Officers, and
- c) A fifth Member elected by the other 4 and appointed by Council.

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)
10/01/12	11,069,940	17,500,154	6,430,214	63.26%	1,284,662	500.54%
10/01/11	8,870,573	15,524,832	6,654,259	57.14%	1,527,468	435.64%
10/01/10	8,863,410	14,990,803	6,127,393	59.13%	1,582,903	387.10%
10/01/09	8,488,652	13,588,596	5,099,944	62.47%	1,727,615	295.20%
10/01/08	8,049,862	13,735,278	5,685,416	58.61%	2,089,004	272.16%
10/01/07	7,812,757	12,596,035	4,783,278	62.03%	2,047,406	233.63%

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
2012	687,550	1,657,731	63,574	250.35%
2011	548,612	509,490	57,487	103.35%
2010	538,345	479,629	58,716	100.00%
2009	554,158	503,432	57,459	101.21%
2008	438,927	388,259	53,654	100.68%
2007	401,295	352,088	50,726	100.38%

\* "Frozen" pursuant to the provisions of 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 9/30/12			
City and State	46.21%		
Plan Members	8.0%	(Until Normal Retirement Age)	
Actuarially Determined Contribution (City and State)	687,550		
Contributions made	1,721,305		
Actuarial valuation date	10/1/2010		
Actuarial cost method	Entry Age Normal		
Amortization method	Level Percentage of Pay, Closed		
Remaining amortization period	25 Years as of 10/1/2010		
Asset valuation method	4 Year Smooth		
Actuarial assumptions:			
Investment rate of return	8.0%		
Projected salary increase*	7.0%		
* Includes inflation at	3.0%		
Post Retirement COLA	3.0%	(beginning one year after retirement)	

SIX YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/12	690,920	249%	(1,122,981)
9/30/11	552,269	103%	(92,596)
9/30/10	541,906	99%	(77,888)

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 contribution 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>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
Actuarially Determined Contribution (A)	538,345	548,612	687,550
Interest on NPO	(6,516)	(6,231)	(7,408)
Adjustment to (A)	10,077	9,888	10,778
	-----	-----	-----
Annual Pension Cost	541,906	552,269	690,920
Contributions Made	538,345	566,977	1,721,305
	-----	-----	-----
Increase in NPO	3,561	(14,708)	(1,030,385)
NPO Beginning of Year	(81,449)	(77,888)	(92,596)
	-----	-----	-----
NPO End of Year	(81,449)	(77,888)	(92,596)
	(1,122,981)	(1,122,981)	(1,122,981)

## SENATE BILL 1128 COMPLIANCE

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of Foster & Foster that utilizing this information to compare local law plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

### Present Value of Accrued Benefits at 7.75% Interest

Vested Accrued Benefits	
Inactives	\$12,000,585
Actives	2,291,286
Member Contributions	<u>868,963</u>
Total	15,160,834
Non-Vested Accrued Benefits	<u>739,068</u>
Total Present Value of Accrued Benefits	\$15,899,902