

CITY OF NAPLES
GENERAL RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2012

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



March 8, 2013

Board of Trustees
City of Naples General Employees' Retirement System
c/o City of Naples Finance Department
735 8th Street, South
Naples, FL 34102

Re: City of Naples
General Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples General Retirement System. 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 Chapter 112, 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, Fifth Third 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.

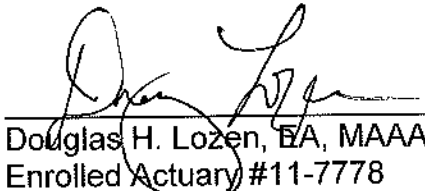
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Naples, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Naples General Retirement System. 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

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples General Retirement System, 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 City's plan/fiscal year ending September 30, 2014.

The funding requirements, compared with the amounts developed in the June 13, 2012, Actuarial Impact Statement (determined as of October 1, 2011), 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	17.26%	16.99%
Member Contributions (Est.) % of Total Annual Payroll	5.00%	4.67%
City Required Contribution ¹ % of Total Annual Payroll	12.26%	12.32%

¹ Please note that there is a City receivable contribution of \$17,380 required for the fiscal year ending September 30, 2012. A monthly interest charge of \$109 is required for each complete month after September 30, 2012 until this deposit is made, based on the 7.5% valuation assumption for investment return.

Experience since the last valuation has been less favorable than expected, relative to the Plan's actuarial assumptions. The primary source of loss is attributable to a 1.6% net-of-fees investment return (Actuarial Asset Basis), falling short of the 7.5% assumption. These losses were partially offset by average increases in pensionable compensation that were below the assumed rate by more than 7%, and greater than expected Retiree mortality.

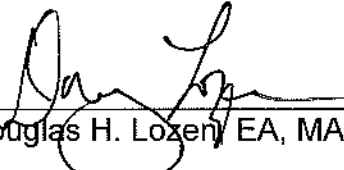
In spite of the net actuarial loss for the year, the funding rate has remained fairly stable, primarily due to a reduction in the Normal Cost. The lower Normal Cost requirement is

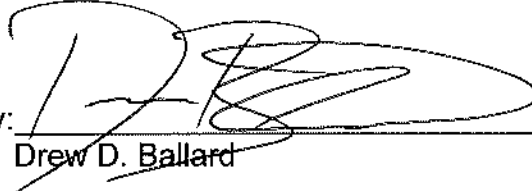
reflective of the addition of 47 new hires participating under a lower benefit structure than those employees hired prior to October 1, 2011.

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 answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Douglas H. Lozen, EA, MAAA

By: 
Drew D. Ballard

Plan Changes Since Prior Valuation

Ordinance 12-13142, adopted and effective June 6, 2012, reinstated benefits for certain Members previously reduced pursuant to the provisions of Ordinance 11-12951. Details are provided in the June 13, 2012, Actuarial Impact Statement.

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.

There have been no changes in methods or assumptions since the prior valuation. However, in order to comply with Part VII, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability has decreased from 5.0% to 4.2% per year.

Comparative Summary of Principal Valuation Results

	<u>10/1/2012</u>	<u>10/1/2011</u>
A. Participant Data		
Number Included		
Actives	302	284
Service Retirees	211	205
DROP Retirees	0	1
Beneficiaries	15	16
Terminated Vested	22	19
Disability Retirees	1	1
	<hr/>	<hr/>
Total	551	526
 Total Annual Payroll	 \$15,661,751	 \$15,027,747
 Annual Rate of Payments to:		
Service Retirees	2,884,093	2,716,468
DROP Retirees	0	47,758
Beneficiaries	126,876	113,154
Terminated Vested	277,393	252,672
Disability Retirees	10,171	10,171
 B. Assets		
Actuarial Value ¹	40,286,392	40,841,645
Market Value ¹	42,141,195	35,890,721
 C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	32,318,259	32,469,256
Disability Benefits	857,249	862,081
Death Benefits	328,866	245,310
Vested Benefits	1,649,917	1,713,256
Refund of Contributions	585,659	682,562
Service Retirees	27,928,229	26,257,960
DROP Retirees ¹	0	854,237
Beneficiaries	1,100,498	942,367
Terminated Vested	2,122,480	1,998,009
Disability Retirees	90,429	92,504
	<hr/>	<hr/>
Total	66,981,586	66,117,542

	<u>10/1/2012</u>	<u>10/1/2011</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	120,369,100	113,347,573
Present Value of Future Member Cont.	5,624,471	5,667,379
Normal Cost (Entry Age Normal)		
Retirement Benefits	1,108,675	1,177,177
Disability Benefits	42,425	44,021
Death Benefits	20,089	16,209
Vested Benefits	152,814	167,727
Refund of Contributions	88,103	116,502
Total Normal Cost	<u>1,412,106</u>	<u>1,521,637</u>
Present Value of Future Normal Costs	8,963,897	9,030,960
Actuarial Accrued Liability		
Retirement Benefits	24,977,983	25,090,589
Disability Benefits	596,580	604,360
Death Benefits	183,725	131,374
Vested Benefits	799,485	826,614
Refund of Contributions	218,280	288,568
Inactives ¹	31,241,636	30,145,077
Total Actuarial Accrued Liability	<u>58,017,689</u>	<u>57,086,582</u>
Unfunded Actuarial Accrued Liability (UAAL)	17,731,297	16,244,937
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	31,241,636	30,145,077
Actives	16,433,287	16,194,901
Member Contributions	6,473,722	6,033,660
	<u>54,148,645</u>	<u>52,373,638</u>
Total	54,148,645	52,373,638
Non-vested Accrued Benefits	<u>1,525,275</u>	<u>2,471,916</u>
Total Present Value Accrued Benefits	55,673,920	54,845,554
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	321,788	
Benefits Paid	(3,476,471)	
Interest	3,983,049	
Other	0	
	<u>828,366</u>	
Total:	828,366	

Valuation Date	10/1/2012	10/1/2011
Applicable to the Fiscal Year Ending	<u>9/30/2014</u>	<u>9/30/2013</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	9.35	10.51
Administrative Expense (with interest) % of Total Annual Payroll ²	0.87	0.91
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (with interest) (as of 10/1/12) % of Total Annual Payroll ²	6.77	5.84
Total Required Contribution % of Total Annual Payroll ²	16.99	17.26
Expected Member Contributions % of Total Annual Payroll ²	4.67	5.00
Expected City & State Contrib. % of Total Annual Payroll ²	12.32	12.26

F. Past Contributions

Plan Years Ending:	<u>9/30/2012</u>
Total Required Contribution	2,401,977
City Requirement	1,666,194
Actual Contributions Made:	
Members	735,783
City	1,666,194
Total	<u>2,401,977</u>

G. Net Actuarial Gain (Loss)	(1,031,041)
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¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/11 and 9/30/12.

² Contributions developed as of 10/1/12 are expressed as a percentage of total annual projected payroll at 10/1/12 of \$15,661,751

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$17,731,297
2013	17,962,912
2014	18,165,770
2024	17,491,609
2034	6,727,256
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	-0.3%	6.8%
Year Ended	9/30/2011	4.4%	6.8%
Year Ended	9/30/2010	-0.6%	6.0%

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

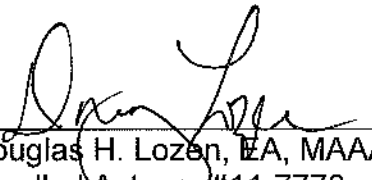
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	1.6%	7.5%
Year Ended	9/30/2011	-0.6%	7.5%
Year Ended	9/30/2010	0.3%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$15,661,751
	10/1/2002	10,426,400
(b) Total Increase		50.2%
(c) Number of Years		10
(d) Average Annual Rate		4.2%

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.

 3/8/13
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 a copy of the report to the following office to comply with Chapter 112 Florida Statutes:

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

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$16,244,937
(2)	Sponsor Normal Cost developed as of October 1, 2011	770,249
(3)	Expected Administrative Expenses during fiscal 2012	132,006
(4)	Interest on (1), (2) and (3)	1,281,089
(5)	Sponsor Contributions to the System during the year ending September 30, 2012	1,666,194
(6)	Interest on (5)	61,831
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	16,700,256
(8)	Change to UAAL due to Experience Loss (Gain)	1,031,041
(9)	Unfunded Accrued Liability as of October 1, 2012	\$17,731,297

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
Experience Loss	10/1/2002	20	1,933,711	127,939
Experience Loss	10/1/2003	21	706,843	45,165
Experience Loss	10/1/2004	22	3,184,799	196,958
Amendment	10/1/2004	22	26,974	1,668
Experience Gain	10/1/2005	23	(2,069,615)	(124,126)
Experience Gain	10/1/2006	24	(199,867)	(11,646)
Amendment	10/1/2006	24	67,634	3,941
Experience Loss	10/1/2007	25	790,538	44,828
Method/Assump Change	10/1/2007	25	4,672,819	264,976
Experience Loss	10/1/2008	26	5,753,868	318,007
Assump Changes	10/1/2009	27	(32,332)	(1,744)
Experience Loss	10/1/2009	27	7,137,004	384,991
Experience Loss	10/1/2010	28	630,528	33,240
Benefit Change	10/1/2010	28	(8,989,889)	(473,925)
Experience Loss	10/1/2011	29	2,735,033	141,078
Benefit Change	10/1/2011	29	352,208	18,167
Experience Loss	10/1/2012	30	1,031,041	52,095
			<u>17,731,297</u>	<u>1,021,612</u>

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

Sample	Male	Female
50	0.17%	0.14%
55	0.29%	0.25%
60	0.56%	0.48%
65	1.08%	0.91%
70	1.85%	1.58%
75	3.19%	2.55%
80	5.71%	4.22%

Interest Rate 7.50% per year, compounded annually, net of investment related expenses.

Termination Rates

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.0%
	1	18.0%
	2	16.0%
	3	10.0%
	4	6.0%
20	5+	16.2%
25		13.2%
30		10.8%
35		9.4%
40		7.8%
45		5.8%
50		3.2%
55+		0.8%

Actuarial Asset Method All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Administrative Expenses \$131,781

Payroll Growth 4.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The prior valuation utilized a 5% payroll growth assumption.

Funding Method Entry Age Actuarial Cost Method.

Disability Rates

Sample Ages	% Becoming Disabled During the Year
20	0.05%
25	0.05%
30	0.06%
35	0.09%
40	0.12%
45	0.28%
50	0.43%

Salary Increases

Years of Service	Increase
1 to 2	10.0%
3	9.5%
4	8.5%
5	8.0%
6	7.5%
7 to 8	7.0%
9	6.0%
10 to 19	5.5%
20+	4.5%

Normal Retirement Rates

Number of Years After First Eligibility For Normal Retirement	Probability of Retirement
0	25%
1	25%
2	50%
3	50%
4	60%
5	80%
6	100%

For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credited Service, regardless of Age.

Early Retirement Rates

Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

VALUATION NOTES

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

City of Naples
General Retirement System

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	62,350.80	65,755.20
Checking Account	4,492.58	4,492.58
Money Market (including DROP account)	1,421,772.00	1,421,772.00
Cash	107.09	107.09
Total Cash and Equivalents	1,488,722.47	1,492,126.87
Receivable:		
Member Contributions in Transit	28,005.28	28,005.28
City Contributions in Transit	63,919.27	63,919.27
Additional City Contributions	17,379.69	17,379.69
Total Receivable	109,304.24	109,304.24
Investments:		
Fixed Income	11,532,086.04	12,333,264.81
Equities	23,325,352.80	26,132,825.23
Pooled/Common/Commingled Funds:		
Equity	2,000,000.00	2,076,675.94
Total Investments	36,857,438.84	40,542,765.98
TOTAL ASSETS	38,455,465.55	42,144,197.09
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Prepaid Member Contributions	3,002.37	3,002.37
Total Liabilities	3,002.37	3,002.37
Net Assets	38,452,463.18	42,141,194.72
TOTAL LIABILITIES AND NET ASSETS	38,455,465.55	42,144,197.09

City of Naples
General Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2012
Market Value Basis

REVENUES

Contributions:		
Member	735,783.08	
City	1,666,193.65	
Total Contributions		2,401,976.73
Earnings from Investments		
Interest & Dividends	909,904.83	
Net Realized Gain (Loss)	2,566,024.38	
Unrealized Gain (Loss)	4,185,714.39	
Total Earnings and Investment Gains		7,661,643.60

EXPENDITURES

Expenses:		
Investment Related ¹	204,894.08	
Administrative	131,781.08	
Total Expenses		336,675.16
Distributions to Members:		
Benefit Payments	2,918,424.38	
Lump Sum DROP Balances	372,647.23	
Termination Payments	185,399.47	
Total Distributions		3,476,471.08
Change in Net Assets for the Year		6,250,474.09
Net Assets Beginning of the Year ²		35,890,720.63
Net Assets End of the Year		42,141,194.72

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

²Net Assets include DROP account balances at the beginning of the year.

City of Naples
General Retirement System

ACTUARIAL ASSET VALUATION
September 30, 2012

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.

Plan Year Ending	Gain/Loss	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2012	2013	2014	2015	2016
9/30/2008	(10,384,034)	0	0	0	0	0
9/30/2009	(1,823,443)	(364,689)	0	0	0	0
9/30/2010	401,923	160,769	80,385	0	0	0
9/30/2011	(2,982,368)	(1,789,421)	(1,192,947)	(596,474)	0	0
9/30/2012	4,810,181	3,848,144	2,886,108	1,924,072	962,036	0
Total		1,854,803	1,773,546	1,327,598	962,036	0

Development of Investment Gain/Loss

Market Value of Assets (with DROP), 9/30/2011	35,890,721
Contributions Less Benefit Payments & Admin Expenses	(1,206,275)
Expected Investment Earnings*	2,646,569
Actual Net Investment Earnings	7,456,750
2012 Actuarial Investment Gain/(Loss)	<u>4,810,181</u>

*Expected Investment Earnings = $0.075 * (35,890,721 + .5 * -1,206,275)$

Development of Actuarial Value of Assets

Market Value of Assets, 9/30/2012	42,141,195
(Gains)/Losses Not Yet Recognized	<u>(1,854,803)</u>
Actuarial Value of Assets, 9/30/2012	40,286,392

(A) 9/30/2011 Actuarial Assets: 40,841,645

(i) Net Investment Income:

1. Interest and Dividends	909,905
2. Realized Gains (Losses)	2,566,024
3. Change in Actuarial Value	(2,620,013)
4. Investment Expenses	<u>(204,894)</u>

Total 651,023

(B) 9/30/2012 Actuarial Assets: 40,286,392

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 1.6%

Market Value of Assets Rate of Return: 21.1%

10/01/12 Limited Actuarial Assets: 40,286,392
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

City of Naples
General Retirement System

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

REVENUES

Contributions:		
Member	735,783.08	
City	1,666,193.65	
Total Contributions		2,401,976.73
Earnings from Investments		
Interest & Dividends	909,904.83	
Net Realized Gain (Loss)	2,566,024.38	
Change in Actuarial Value	(2,620,012.61)	
Total Earnings and Investment Gains		855,916.60
	EXPENDITURES	
Expenses:		
Investment Related ¹	204,894.08	
Administrative	131,781.08	
Total Expenses		336,675.16
Distributions to Members:		
Benefit Payments	2,918,424.38	
Lump Sum DROP Balances	372,647.23	
Termination Payments	185,399.47	
Total Distributions		3,476,471.08
Change in Net Assets for the Year		(555,252.91)
Net Assets Beginning of the Year ²		40,841,644.63
Net Assets End of the Year ³		40,286,391.72

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

²Net Assets include DROP account balances at the beginning of the year.

³Net Assets may be limited for actuarial consideration.

City of Naples
General Retirement System

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2011 through September 30, 2012

<u>Name</u>	<u>9/30/11 Balance</u>	<u>Additions</u>	<u>Investment Return</u>	<u>Distributions</u>	<u>9/30/12 Balance</u>
Norman, Tara	337,921.54	31,838.80	2,886.89	(372,647.23)	0.00
Total	337,921.54	31,838.80	2,886.89	(372,647.23)	0.00

City of Naples General Retirement System

Reconciliation of City's Shortfall Contribution for the
Fiscal Year Ended (FYE) September 30, 2012

(1) Total Required Contribution Rate (from the October 1, 2010 Actuarial Valuation Report)	15.95%
(2) Payroll Reported by the City for fiscal 2012	\$15,059,415.25
(3) Total Required Contribution (Item 1 times Item 2)	2,401,976.73
(4) Less Actual Member Contributions	(735,783.08)
(5) Less Actual City Contributions	<u>(1,648,813.96)</u>
(6) Equals City's Shortfall Contribution as of September 30, 2012	\$17,379.69

ELIGIBILITY FOR RETIREMENT

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

- 1) Attained Age 60 with 5 Years of Credited Service
- 2) Rule of 85 Years

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

- 1) Attained Age 55 with 5 Years of Credited Service

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

Normal Retirement	Early Retirement
ARCHIBALD, GEORGE, BACCI, LAWRENCE, BALL, KAREN, BAUER, MICHAEL, BILLS, RANDY, BOUDLE, MARSHA, BROOKE, KATHY, CASTANO, SHEILALEE, CONTRONE, EDWARD, DELOMBA, CHRISTY, DELP, ALANDEE, DUGGAN, RUSSELL, EMERSON, RAYMOND, GIVENS, GREG, GLEIM, FREDERICK, GRAFF, DAVID, KEMLAGE, KENNETH, LEGAULT, ROBERT, LITTLE, SUSAN, MCDOWELL, WAYNE, MORENO, HECTOR, NAUGHTON, RITA, NELSON, MARK, REINHARD, CAROL, SCHMIDT, WILLIAM, SMITH, JAMES, SMITH, JERRY, THOMAS, DANIEL, TUSA, RICHARD, WEEKS, STEPHEN,	ACOSTA, ANA, BANKER, ROBERT, BAYLESS, DONNA, BENNETT, RAYMOND, BOGART, ROBERT, BOUTOT, CHERYL, CHAPLIN, MARLENE, CHAVEZ, TOMAS, COOPER, GUY, CROUSE, DANIEL, EWELL, MARI, FREE, MAMIE, FRITCHEY, JENNIFER, GRESS, DENNIS, GUERRA, JUAN, HERNANDEZ, JOSE, JACOBSEN, ROGER, JULIAN, GARY, KARBACH, GEORGE, KATELEY, KAREN, LESLIE, MICHAEL, LUGO, CARLOS, MAHUNIK, PAUL, MARIBONA, WILFREDO, MARTINEZ, ADOLFO, MORRIS, WESLEY, NAURATH, PAULETTE, RAMBOSK, PATRICIA, SAVAGE, TERRY, SCHEPPERLY, RAY, SMITH, VICKI, SZEMPRUCH, THOMAS, SZOSTAK, KATHERINE, TANNER-BREVARD, L, TODD, THRESA, VOILES, CHINA,

STATISTICAL DATA

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Number	300	291	284	302
Average Current Age	48.9	48.5	48.2	47.1
Average Age at Employment	38.8	38.9	38.6	38.0
Average Past Service	10.0	9.6	9.6	9.1
Average Annual Salary	\$51,450	\$50,909	\$51,313	\$51,860

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	4	1	0	0	1	0	0	0	0	0	0	6
25 - 29	5	2	1	2	1	4	0	0	0	0	0	15
30 - 34	7	5	0	1	2	13	2	0	0	0	0	30
35 - 39	1	3	6	4	0	5	6	1	0	0	0	26
40 - 44	6	3	2	1	5	12	3	2	1	0	0	35
45 - 49	6	2	1	2	3	13	8	10	0	1	0	46
50 - 54	6	4	2	1	6	13	11	6	8	3	3	63
55 - 59	0	0	3	1	0	15	12	5	6	2	3	47
60 - 64	2	1	1	0	2	10	3	2	2	1	0	24
65+	0	0	0	0	0	0	4	3	1	0	2	10
Total	37	21	16	12	20	85	49	29	18	7	8	302

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/11	284
b. Terminations	
i. Vested (partial or full) with deferred benefits	4 *
ii. Non-vested or full lump sum distribution received	8
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	17
f. Entered DROP	0
g. Voluntary withdrawal	0
h. Continuing participants	255
i. New entrants	47
j. Total active life participants in valuation	302

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	205	16	1	19	1	242
b. In	20	1	0	7	0	28
c. Out	14	2	0	4	1	21
d. Number current valuation	211	15	1	22	0	249

* Includes non-vested members awaiting a refund of contributions.

GENERAL RETIREMENT SYSTEM
SUMMARY OF PLAN PROVISIONS
(Through Ordinance 12-13142)

<u>Eligibility</u>	Full-time General Employees hired prior to 3/1/95 enter the Plan on employment. Those hired after 2/28/95 enter following 6 months of service.
<u>Compensation</u>	Base pay, including holiday, vacation, longevity, and sick pay, but excluding overtime and all other pay.
<u>Final Average Compensation</u>	Average of Compensation paid during the eight (8) highest consecutive years of service. The average cannot be less than the three-year average determined as of September 30, 2011.
<u>Credited Service</u>	Years and completed months of service as a General Employee. Service for which the member received a refund of contributions shall not be counted.
<u>Normal Retirement</u>	
Date	Earlier of 1) the attainment of age 60 and the completion of 5 years of service, or 2) the date when age plus service equals 85 (Rule of 85). For Members hired after September 30, 2011, the Normal Retirement Date is the earlier of 1) Age 65 with 8 years of Credited Service, or 2) the completion of 33 years of Credited Service, regardless of Age.
Benefit	The sum of the following: a.) 2.5% of Final Average Compensation (using a three-year average, determined as of September 30, 2011) for each year of Credited Service as of September 30, 2011, plus

b.) 1.6% of Final Average Compensation (using an eight-year average) for Credited Service after September 30, 2011.

Form of Benefit

Life annuity, ceasing upon death (options available).

Early Retirement

Date

The attainment of age 55 and the completion of 5 years of service.

Benefit

Determined as for Normal Retirement, reduced 3% per year for each year that the Early Retirement Date precedes age 60. The reduction is prorated monthly

For Members hired after September 30, 2011, the reduction is 5% per year, for each year that the Early Retirement Date precedes age 65. The reduction is prorated monthly.

Termination of Employment

Members hired before
October 1, 2011

Less Than 5 Years

Return of member contributions with interest.

5 to 10 Years,
But Less Than Age 50

Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.

10 or More Years or Upon
Attaining Age 50 and 5 Years

Accrued monthly benefit payable at Normal or Early (reduced basis) Retirement Date, or return of member contributions with interest.

Members hired after
September 30, 2011

Less Than 8 Years

Return of member contributions with interest.

8 or More Years

The accrued benefit, payable at the Normal (unreduced), or Early (reduced) Retirement Date.

Pre-Retirement Death

Less Than 5 Years and 6 Months	Return of member contributions with interest.
More than 5 Years and 6 Months	Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.

Deferred Retirement Option Plan

Eligibility	Non-union members who had 30 years of service in June, 2005.
Participation	Not to exceed 84 months.
Rate of Return	Actual net rate of investment return realized by the system from the short term investment fund or money market fund in which the DROP account is invested.
Form of Distribution	Cash lump sum at termination of employment.

Contributions

Members	5.0% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.
City	Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

Board of Trustees

Two Council appointees, three City Manager appointees, one retiree of the Plan elected by the membership, and a seventh Member elected by the other 6 who is a city resident.

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	40,286,392	58,017,689	17,731,297	69.44%	15,661,751	113.21%
10/01/11	40,503,723	56,408,265	15,904,542	71.80%	15,027,747	105.83%
10/01/10	40,623,062	63,178,962	22,555,900	64.30%	15,831,192	142.48%
10/01/09	39,081,782	60,136,902	21,055,120	64.99%	16,206,593	129.92%
10/01/08	37,870,724	51,628,959	13,758,235	73.35%	15,779,980	87.19%
10/01/07	38,725,809	46,672,839	7,947,030	82.97%	13,816,182	57.52%

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	Percentage Contributed
2012	1,666,194	1,666,194	100.00%
2011	2,334,307	2,334,307	100.00%
2010	2,063,584	2,063,584	100.00%
2009	1,881,902	2,083,810	110.73%
2008	1,110,259	1,438,469	129.56%
2007	1,094,083	1,160,170	106.04%

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

Contribution rates as of 9/30/12

City (from 2010 valuation)	10.95%
Plan Members	5.00%
(Members hired after 9/30/11 have a 3% contribution requirement)	

Actuarially Determined Contribution	1,666,194
Contributions made	1,666,194
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	30 Years
Asset valuation method	Market value of assets is adjusted for investment gains and losses realized during the year. The gains/losses are phased in 20% per year, up to 100% after 5 years.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	4.5% to 10%
* Includes inflation at	3.0%
Post Retirement COLA	Not applicable

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	1,638,218	101.71%	(990,314)
9/30/2011	2,395,397	97.45%	(962,338)
9/30/2010	2,124,650	97.13%	(1,023,428)

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>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>
Actuarially Determined			
Contribution (A)	2,063,584	2,334,307	1,666,194
Interest on NPO	(81,337)	(76,757)	(72,175)
Adjustment to (A)	142,403	137,847	44,199
	-----	-----	-----
Annual Pension Cost	2,124,650	2,395,397	1,638,218
Contributions Made	2,063,584	2,334,307	1,666,194
	-----	-----	-----
Increase in NPO	61,066	61,090	(27,976)
NPO Beginning of Year	(1,084,494)	(1,023,428)	(962,338)
	-----	-----	-----
NPO End of Year (1,084,494)	(1,023,428)	(962,338)	(990,314)

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, nonvested, 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	\$30,647,083
Actives	15,751,296
Member Contributions	<u>6,473,722</u>
Total	52,872,101
Non-Vested Accrued Benefits	<u>1,475,167</u>
Total Present Value of Accrued Benefits	\$54,347,268