

**OCTOBER 1, 2006  
ACTUARIAL VALUATION REPORT  
FOR THE  
CITY OF NAPLES  
POLICE OFFICERS' RETIREMENT SYSTEM**

**ANNUAL EMPLOYER CONTRIBUTION  
IS DETERMINED BY THIS VALUATION  
FOR THE PLAN YEAR ENDING**

**SEPTEMBER 30, 2007**

**TO BE PAID IN THE EMPLOYER FISCAL YEAR ENDING**

**SEPTEMBER 30, 2008**







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Consultants & Actuaries

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November 3, 2006

Board of Trustees  
Police Officers' Retirement System  
Naples, Florida

Dear Trustees:

We are pleased to present our October 1, 2006 Actuarial Valuation Report for the Plan. The purpose of the Report is to set forth required contribution levels, to disclose plan assets and actuarial liabilities, to comment on funding progress and to provide supporting information regarding the operation of the Plan. This Report is also designed to comply with requirements of the State.


The valuation was performed on the basis of employee, retiree and financial information supplied by the City. Although we did not audit this information, it was reviewed for reasonableness and comparability to prior years.


The benefits valued are outlined at the end of the Report. Actuarial assumptions and the actuarial cost method are also described herein. Any changes in benefits, assumptions or methods are described in the first section.

We will be pleased to answer any questions pertaining to the valuation and to meet with you to review this Report.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

By:   
J. Stephen Palmquist, ASA, MAAA, FCA  
Enrolled Actuary No. 05-1560

By:   
Melissa R. Moskowitz EA, MAAA, FCA  
Enrolled Actuary No. 05-6467

### Statement by Enrolled Actuary

This actuarial valuation and/or cost determination 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. In my opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. 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.

Stephen Paluzin  
Signature

11-3-06

Date

05-1560

Enrollment Number





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**SECTION A**  
**DISCUSSION OF VALUATION RESULTS**



## DISCUSSION OF VALUATION RESULTS

### Comparison of Required Employer Contributions

A comparison of the required contributions developed in this valuation and the previous valuation is as follows:

	For FYE 9/30/08 Based on 10/1/06 Valuation	For FYE 9/30/07 Based on 10/1/05 Valuation	Increase (Decrease)
Total Required Contribution	\$ 1,712,216	\$ 1,547,840	\$ 164,376
As % of Covered Payroll	38.11 %	36.04 %	2.07 %
Estimated Employee Contribution	224,641	214,739	9,902
As % of Covered Payroll	5.00	5.00	0.00
Required Employer/State Contribution	1,487,575	1,333,101	154,474
As % of Covered Payroll	33.11	31.04	2.07
Estimated State Contribution	662,446	662,446	0
As % of Covered Payroll	14.74	15.42	(0.68)
City Incentive Contribution	118,529	118,529	0
As % of Covered Payroll	2.64	2.76	(0.12)
Required Employer Contribution	706,600	552,126	154,474
As % of Covered Payroll	15.73	12.86	2.87

The contribution developed in this valuation has been calculated as though payment would be made evenly throughout the year. Further, the required Employer contribution has been computed with the assumption that the amount to be received from the State in 2007 will be equal to the adjusted base year revenue of \$662,446. If the actual payment from the State falls below this amount, then the City must increase its contribution by the difference.

The actual Employer and State contributions for the year ending September 30, 2006 were \$379,397 and \$773,954, respectively. Adding the Employer contribution and baseline Chapter 185 revenue of \$662,446, the total is \$1,041,843. The total minimum required payment was \$1,041,843.



### **Revisions in Benefits**

There were no revisions in benefits since the last valuation.

### **Revisions in Actuarial Assumptions or Methods**

The investment earnings assumption was changed from 8.25% per year to 8.00% per year. All other actuarial assumptions and methods are the same as those used in the last valuation. This change has raised the required contribution by \$86,712, or 1.93% of covered payroll.

### **Actuarial Experience**

During the past year, there was a net actuarial gain of \$333,423 which means that actual experience was more favorable than expected. The gain is due in part to more than expected employment terminations. The net gain has decreased the required employer contribution by 0.41% of covered payroll.

### **Funded Ratio**

The funded ratio this year is 69.5% compared to 69.8% last year. This year's ratio was 71.5% before the change in the assumed rate of investment return. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

### **Analysis of Change in Employer Contribution**

The components of change in the net required employer contribution are as follows:

Contribution Rate Last Year	12.86 %
Actuarial Experience	(0.41)
Change in Actuarial Assumptions	1.93
Amortization Payment on UAAL	0.38
Change in Normal Cost Rate	0.01
Change in Administrative Expense	0.16
Change in Incentive Contribution	0.12
Change in State Revenue	<u>0.68</u>
Contribution Rate This Year	15.73

The remainder of this Report includes detailed actuarial valuation results, financial information, miscellaneous information and statistics, and a summary of plan provisions.



## CHAPTER REVENUE

Increments in Chapter revenue over that received in 1998 must first be used to fund the cost of compliance with minimum benefits. Once minimums are met, any subsequent additional Chapter revenue must be used to provide extra benefits.

As of the valuation date, all minimum benefit requirements have been met. Thus, any additional revenue must be used to provide extra benefits.

Actuarial Confirmation of the Use of State Chapter Money	
1. Base Amount Previous Plan Year	\$ 662,446
2. Amount Received for Previous Plan Year	773,954
3. Benefit Improvements Made in Previous Plan Year	0
4. Excess Funds for Previous Plan Year: (2) - (1) - (3)	111,508
5. Accumulated Excess at Beginning of Previous Year	304,055
6. Prior Excess Used in Previous Plan Year	0
7. Accumulated Excess as of Valuation Date (Available for Benefit Improvements): (4) + (5) - (6)	415,563
8. Base Amount This Plan Year: (1) + (3)	662,446

The Accumulated Excess shown in line 7 is being held in reserve to pay for additional benefits. The reserve is subtracted from Plan assets (see Section C of this Report). The Base Amount in line 8 is the amount the employer may take as a credit against its required contribution.

**SECTION B**  
**VALUATION RESULTS**



PARTICIPANT DATA		
	October 1, 2006	October 1, 2005
<b>ACTIVE MEMBERS</b>		
Number	71	69
Covered Annual Payroll	\$ 4,238,516	\$ 4,051,684
Average Annual Payroll	\$ 59,697	\$ 58,720
Average Age	38.9	39.0
Average Past Service	10.0	11.2
Average Age at Hire	28.9	27.8
<b>RETIREEES, BENEFICIARIES &amp; DROP</b>		
Number	34	30
Annual Benefits	\$ 1,097,038	\$ 875,174
Average Annual Benefit	\$ 32,266	\$ 29,172
Average Age	57.8	57.3
<b>DISABILITY RETIREEES</b>		
Number	0	0
Annual Benefits	\$ 0	\$ 0
Average Annual Benefit	\$ 0	\$ 0
Average Age	0.0	0.0
<b>TERMINATED VESTED MEMBERS</b>		
Number	19	15
Annual Benefits	\$ 263,242	\$ 152,956
Average Annual Benefit	\$ 13,855	\$ 10,197
Average Age	41.6	44.6

ANNUAL REQUIRED CONTRIBUTION (ARC)			
A. Valuation Date	October 1, 2006 <i>After Changes</i> <i>8.00% Interest</i>	October 1, 2006 <i>Before Changes</i> <i>8.25% Interest</i>	October 1, 2005
B. ARC to Be Paid During Fiscal Year Ending	9/30/2008	9/30/2008	9/30/2007
C. Assumed Dates of Employer Contributions	Evenly	Evenly	Evenly
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 532,731	\$ 501,583	\$ 480,630
E. Employer Normal Cost	816,569	767,690	727,049
F. ARC if Paid on the Valuation Date: D + E	1,349,300	1,269,273	1,207,679
G. ARC Adjusted for Frequency of Payments	1,403,272	1,321,631	1,257,496
H. ARC as % of Covered Payroll	33.11 %	31.18 %	31.04 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	6.00 %	6.00 %	6.00
J. Covered Payroll for Contribution Year	4,492,827	4,492,827	4,294,785
K. ARC for Contribution Year: H x J	1,487,575	1,400,863	1,333,101
L. Estimate of State Revenue in Contribution Year	662,446	662,446	662,446
M. Incentive Contribution	118,529	118,529	118,529
N. Required Employer Contribution (REC) in Contribution Year	706,600	619,888	552,126
O. REC as % of Covered Payroll in Contribution Year: M ÷ J	15.73 %	13.80 %	12.86 %



# **ACTUARIAL VALUE OF BENEFITS AND ASSETS**

A. Valuation Date	October 1, 2006 <i>After Changes</i> <i>8.00% Interest</i>	October 1, 2006 <i>Before Changes</i> <i>8.25% Interest</i>	October 1, 2005
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	\$ 22,627,158	\$ 21,771,692	\$ 22,089,085
b. Vesting Benefits	1,019,374	964,272	1,108,135
c. Disability Benefits	664,898	642,808	621,476
d. Preretirement Death Benefits	236,423	227,813	228,351
e. Return of Member Contributions	23,831	23,740	15,891
f. Total	24,571,684	23,630,325	24,062,938
2. Inactive Members			
a. Service Retirees & Beneficiaries	12,723,681	12,441,548	10,080,635
b. Disability Retirees	-	-	-
c. Terminated Vested Members	1,557,437	1,500,388	1,044,356
d. Total	14,281,118	13,941,936	11,124,991
3. Total for All Members	38,852,802	37,572,261	35,187,929
C. Actuarial Accrued (Past Service) Liability per GASB No. 25	32,420,377	31,530,209	29,414,973
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	27,437,811	26,679,572	24,043,965
E. Plan Assets			
1. Market Value	23,598,381	23,598,381	21,707,855
2. Actuarial Value	22,535,093	22,535,093	20,543,328
F. Unfunded Accrued Liability: C - E2	9,885,284	8,995,116	8,871,645
G. Actuarial Present Value of Projected Covered Payroll	27,975,495	27,672,023	26,489,293
H. Actuarial Present Value of Projected Member Contributions	1,398,775	1,383,601	1,324,465

# CALCULATION OF EMPLOYER NORMAL COST

A. Valuation Date	October 1, 2006 <i>After Changes</i> <i>8.00% Interest</i>	October 1, 2006 <i>Before Changes</i> <i>8.25% Interest</i>	October 1, 2005
B. Normal Cost for			
1. Service Retirement Benefits	\$ 796,001	\$ 755,832	\$ 707,901
2. Vesting Benefits	114,951	108,423	119,165
3. Disability Benefits	57,858	56,114	51,947
4. Preretirement Death Benefits	12,790	12,244	11,601
5. Return of Member Contributions	<u>10,422</u>	<u>10,530</u>	<u>10,455</u>
6. Total for Future Benefits	992,022	943,143	901,069
7. Assumed Amount for Administrative Expenses	<u>36,473</u>	<u>36,473</u>	<u>28,564</u>
8. Total Normal Cost	1,028,495	979,616	929,633
C. Expected Member Contribution	211,926	211,926	202,584
D. Employer Normal Cost: B8-C	816,569	767,690	727,049
E. Employer Normal Cost as a % of Covered Payroll	19.27%	18.11%	17.94%

# LIQUIDATION OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

<b>A. Amortization Period and Payments</b>					
Original UAAL			Current UAAL		
Date	Source	Amount	Years Remaining	Amount	Payment
10/1/1997	N/A	\$ N/A	21	\$ 1,170,244	\$ 72,795
10/1/1999	N/A	N/A	23	1,712,271	99,740
10/1/2000	N/A	N/A	24	(770,178)	(43,536)
10/1/2002	N/A	N/A	26	3,060,181	163,702
10/1/2003	N/A	N/A	27	1,664,540	86,811
10/1/2004	Exp. Loss	1,702,164	28	1,858,845	94,638
10/1/2004	Amendment	(5,944)	28	(6,492)	(331)
10/1/2005	Exp. Gain	(205,398)	29	(216,907)	(10,793)
10/1/2005	Assump. Change	810,614	29	856,035	42,597
10/1/2006	Exp. Gain	(333,423)	30	(333,423)	(16,235)
10/1/2006	Assump. Change	890,168	30	890,168	43,343
		<u>2,858,181</u>		<u>9,885,284</u>	<u>532,731</u>

## B. Amortization Schedule

The UAAL is being amortized as a level percent of payroll over the number of years remaining in the amortization period. The expected amortization schedule is as follows:

<b>Amortization Schedule</b>	
Year	Expected UAAL
2006	\$ 9,885,284
2007	10,100,774
2008	10,304,719
2009	10,494,774
2010	10,668,317
2011	10,822,442
2016	11,176,531
2021	10,391,323
2026	7,571,432
2031	2,913,202
2036	-

### ACTUARIAL GAINS AND LOSSES

The assumptions used to anticipate mortality, employment turnover, investment income, expenses, salary increases, and other factors have been based on long range trends and expectations. Actual experience can vary from these expectations. The variance is measured by the gain and loss for the period involved. If significant long term experience reveals consistent deviation from what has been expected and that deviation is expected to continue, the assumptions should be modified. The net actuarial gain (loss) for the past year has been computed as follows:

1. Last Year's UAAL	\$ 8,871,645
2. Last Year's Employer Normal Cost	727,049
3. Last Year's Contributions	
a. Employer	379,397
b. State	662,446 *
c. a + b	<u>1,041,843</u>
4. Interest at the Assumed Rate on:	
a. 1 and 2 for one year	791,892
b. 3 from dates paid	<u>20,204</u>
c. a - b	<u>771,688</u>
5. This Year's Expected UAAL	
1 + 2 - 3c + 4c	9,328,539
6. This Year's Actual UAAL (before any changes in Benefits or Assumptions)	8,995,116
7. Net Actuarial Gain (Loss): 5 - 6	333,423
8. Gain (Loss) Due to Investments	8,411
9. Gain (Loss) from Other Sources	325,012
10. This Year's Actual UAAL (after changes in Benefits or Assumptions)	9,885,284
11. Change in UAAL Due to Change in Assumptions: 10 - 6	890,168

\* Frozen amount.

Net actuarial gains in previous years have been as follows:

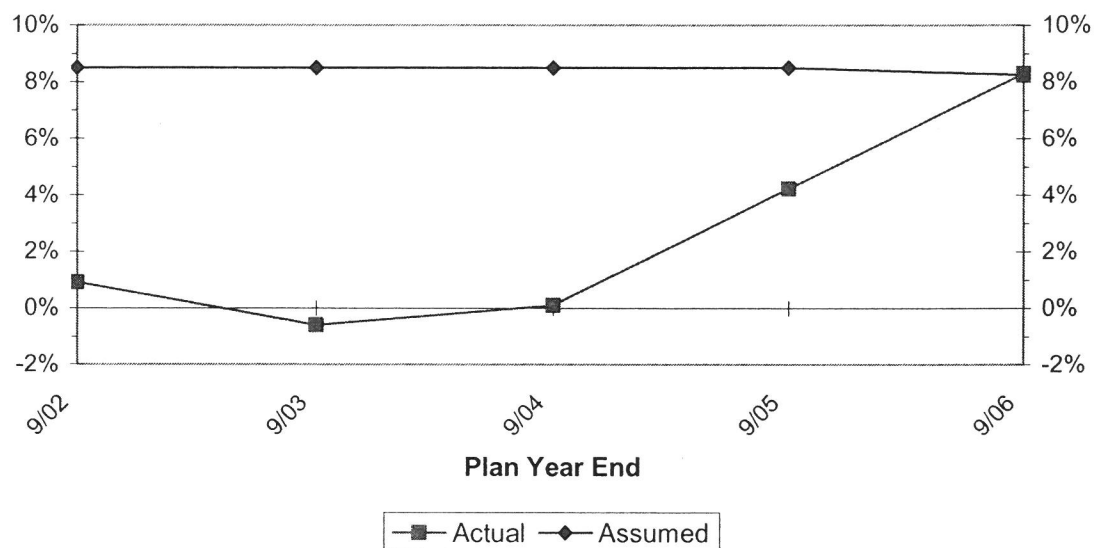
Year Ended	Gain (Loss)
9/30/2004	\$ 1,702,164
9/30/2005	205,398
9/30/2006	333,423

The fund earnings and salary increase assumptions have considerable impact on the cost of the Plan so it is important that they are in line with the actual experience. The following table shows the actual fund earnings and salary increase rates compared to the assumed rates for the last few years:

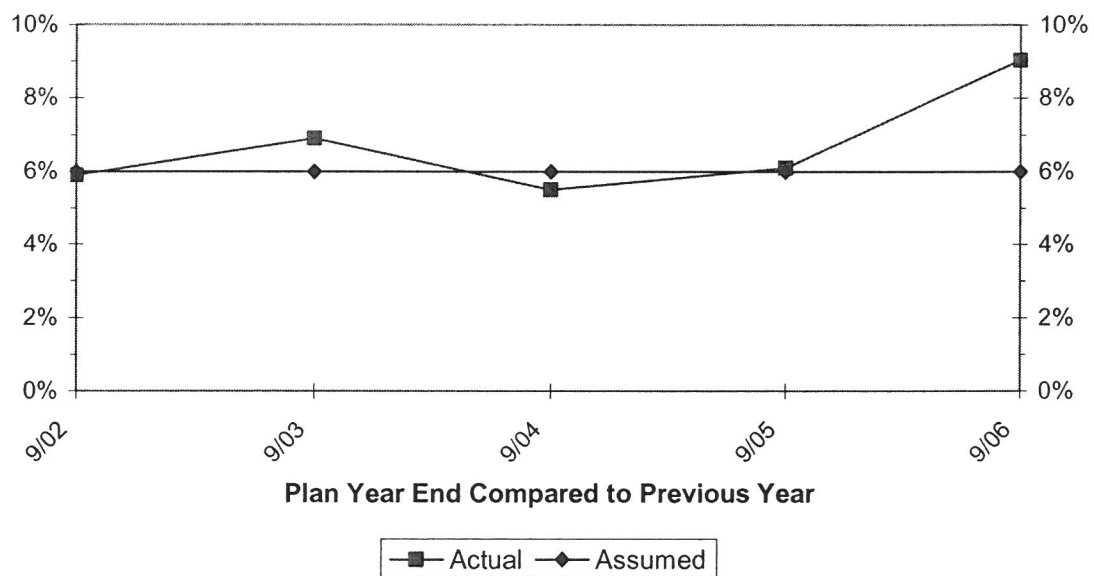
Year Ending	Investment Return		Salary Increases	
	Actual	Assumed	Actual	Assumed
9/30/2002	0.9 %	8.5 %	5.9 %	6.0 %
9/30/2003	(0.6)	8.5	6.9	6.0
9/30/2004	0.1	8.5	5.5	6.0
9/30/2005	4.2	8.5	6.1	6.0
9/30/2006	8.3	8.25	9.0	6.0
Averages	2.5 %	---	6.7 %	---

The actual investment return rates shown above are based on the actuarial value of assets. The actual salary increase rates shown above are the increases received by those active members who were included in the actuarial valuations both at the beginning and the end of each year.

### History of Investment Return Based on Actuarial Value of Assets



### History of Salary Increases

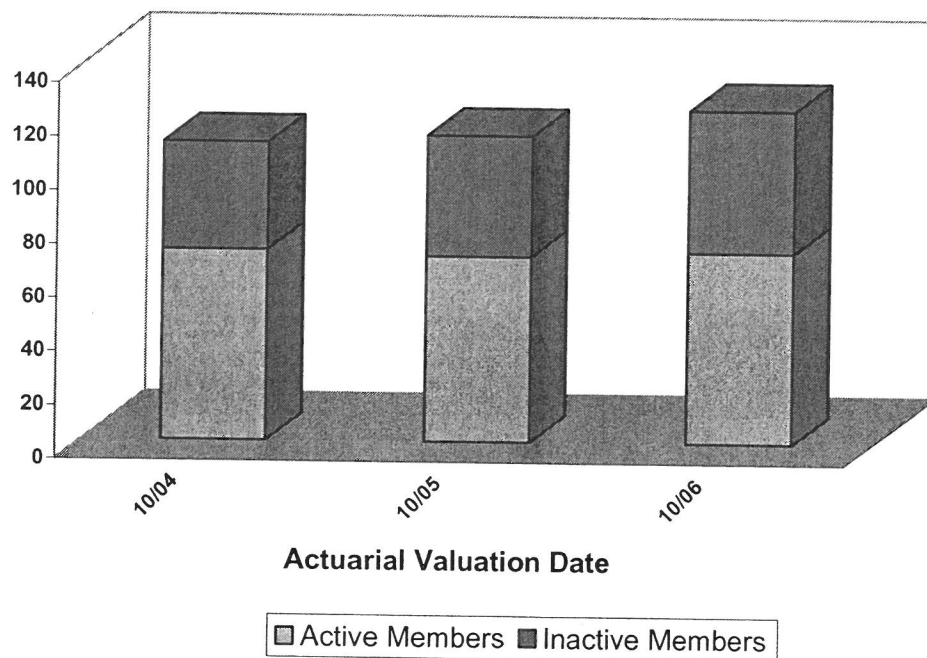
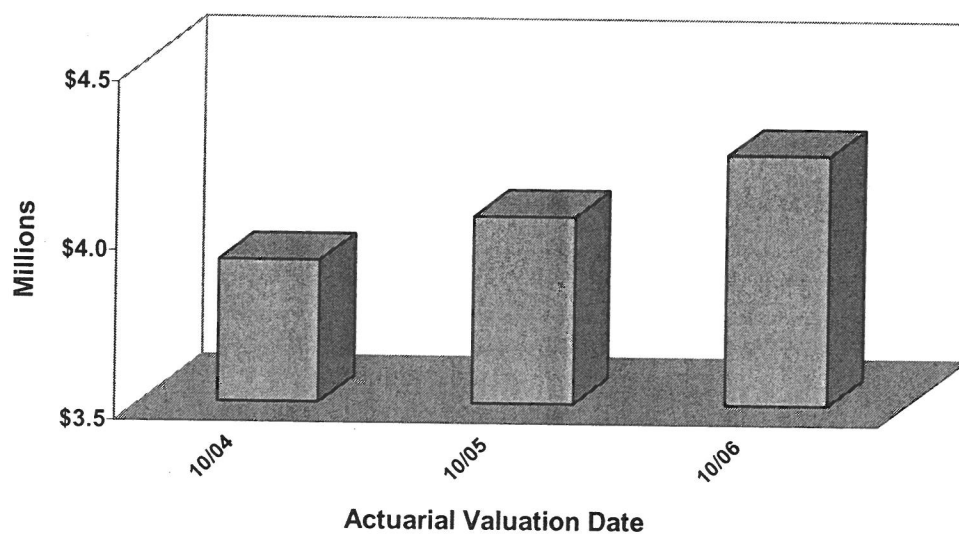


Actual (A) Compared to Expected (E) Decrements Among Active Employees													
Year Ended	Number Added During Year		Service & DROP Retirement		Disability Retirement		Death		Terminations				Active Members End of Year
	A	E	A	E	A	E	A	E	Vested	Other	Totals		
									A	A	A	E	
9/30/2006	12	10	4	1	0	0	0	0	4	2	6	3	71
9/30/2007				1		0		0				3	
1 Yr Totals *	12	10	4	1	0	0	0	0	4	2	6	3	

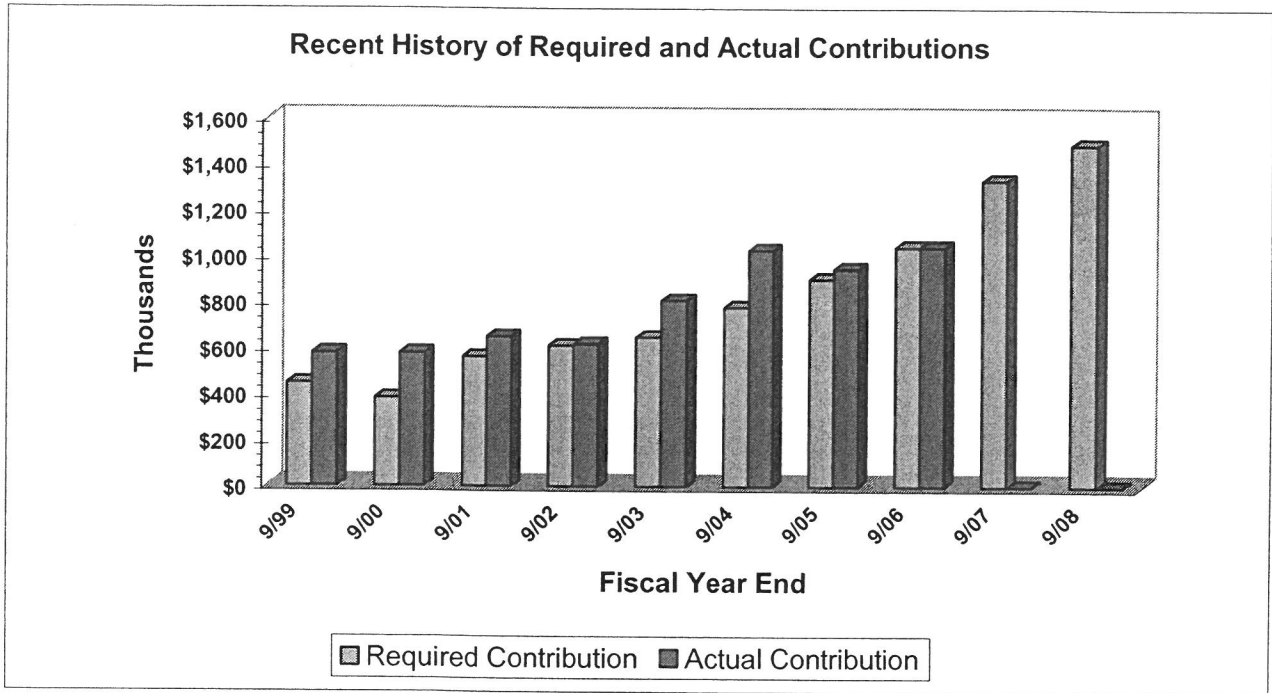
\* Totals are through current Plan Year only.

RECENT HISTORY OF VALUATION RESULTS							
Valuation Date	Number of		Covered Annual Payroll	Actuarial Value of Assets	UFAAL	Employer Normal Cost	
	Active Members	Inactive Member				Amount	% of Payroll
10/1/2004	71	40	\$ 3,919,246	\$ 19,586,438	\$ 8,010,611	\$ 558,793	14.26 %
10/1/2005	69	45	4,051,684	20,543,328	8,871,645	727,049	17.94
10/1/2006	71	53	4,238,516	22,535,093	9,885,284	816,569	19.27



**Recent History of Number of Members****Recent History of Covered Annual Payroll**

RECENT HISTORY OF REQUIRED AND ACTUAL CONTRIBUTIONS											
Valuation	End of Year To Which Valuation Applies	Required Contributions									
		Employer & State		Estimated State		Net Employer		Actual Contributions			Total
		Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll	Employer	State		
10/1/1997	9/30/1999	\$ 449,178	N/A	N/A	N/A	N/A	N/A	\$ 78,173	\$ 500,979	\$	579,152
10/1/1998	9/30/2000	384,643	N/A	N/A	N/A	N/A	N/A	78,173	500,979		579,152
10/1/1999	9/30/2001	562,516	N/A	N/A	N/A	N/A	N/A	150,362	500,979		651,341
10/1/2000	9/30/2002	611,467	N/A	N/A	N/A	N/A	N/A	118,529	500,979		619,508
10/1/2001	9/30/2003	648,155	N/A	N/A	N/A	N/A	N/A	147,176	662,446		809,622
10/1/2002	9/30/2004	780,656	N/A	N/A	N/A	N/A	N/A	365,900	662,446		1,028,346
10/1/2003	9/30/2005	902,963	21.98 %	\$ 662,446	16.13 %	240,516	5.85 %	285,786	662,446		948,232
10/1/2004	9/30/2006	1,041,843	25.08	662,446	15.95	379,397	9.13	379,397	662,446		1,041,843
10/1/2005	9/30/2007	1,333,101	31.04	662,446	15.42	670,655	15.62	---	---	---	---
10/1/2006	9/30/2008	1,487,575	33.11	662,446	14.74	825,129	18.37	---	---	---	---



## ACTUARIAL ASSUMPTIONS AND COST METHOD

A. Cost Method	
1. Funding	Entry Age Normal Actuarial Cost Method.
2. Accumulated Benefit Obligation	Accrued Benefit Method.
B. Investment Earnings (Including inflation)	8.00% per year, compounded annually, net of investment related expenses.
C. Salary Increases (Including inflation)	6% each year up to the assumed retirement age.
D. Inflation	3.5% per year.
E. Retirement Age	Later of normal retirement date or one year after valuation date; probability of early retirement is 5% for each year eligible.
F. Turnover Rates	See Table on next page.
G. Mortality Rates	1983 Group Annuity Mortality Tables for males and females; rates for disabled lives set forward five years.
H. Disability	
1. Rates	See Table on next page.
2. Percent Service Connected	75%
I. Asset Value	Previous year's value increased with a rate of investment return equal to the average market value return over the most recent four years.
J. Administrative Expenses	\$36,473 (2-year average of actual expenses).
K. Increase in Covered Payroll	5% per year.
L. Post Retirement Benefit Increase	3% per year from age 55 to age 62.
M. Changes Since Last Valuation	The investment earnings assumption was changed from 8.25% per year to 8.00% per year.

	Annual Rate of	
Age	Turnover	Disability
20	9.3%	0.14%
25	8.6	0.15
30	7.9	0.18
35	6.1	0.23
40	4.3	0.30
45	2.7	0.51
50	1.1	1.00

## GLOSSARY OF TERMS

**Actuarial Present Value** is the value of an amount or series of amounts payable at various times, determined as of the valuation date by the application of the set of actuarial assumptions.

**Actuarial Assumptions** are assumptions as to the occurrence of future events affecting pension costs. The previous page outlines the Actuarial Assumptions utilized in this valuation.

**Actuarial Cost Method** is a procedure for determining the Actuarial Present Value of pension plan benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and Actuarial Accrued Liability.

**Entry Age Actuarial Cost Method** is a method under which the current year's cost, or Normal Cost, is calculated for each individual. This Normal Cost is the amount, determined as a level percentage of pay, which, if deposited each year from the time an employee was first included in the actuarial valuation (or would have been had the plan been in effect) until retirement, would fully fund his or her benefit.

**Entry Age Actuarial Accrued Liability** at any given time is equal to the Actuarial Present Value of Projected Benefits minus the Actuarial Present Value of future Normal Costs. Under the Entry Age Actuarial Cost Method, experience gains (losses) reduce (increase) the Actuarial Accrued Liability. Increases or decreases in the Actuarial Accrued Liability will also occur as a result of changes in pension plan benefits, actuarial assumptions, or asset valuation methods.

**Unfunded Actuarial Accrued Liability** is the Actuarial Accrued Liability, less assets.

**SECTION C**  
**PENSION FUND INFORMATION**



SUMMARY OF ASSETS		
	9/30/2006	9/30/2005
<b>Cash and Securities - Market Value</b>		
Cash	\$ -	\$ 73
Money Market Funds	1,534,895	1,140,791
U. S. Government Bonds & Notes	3,842,873	4,036,890
Corporate Bonds	3,960,554	3,682,696
Common Stocks	14,525,785	13,202,844
Pooled Equity Funds	-	-
Pooled Bond Funds	-	-
International Equity Funds	-	-
Total	<u>23,864,107</u>	<u>22,063,294</u>
<b>Receivables and Accruals</b>		
Member Contribution	-	-
Employer Contribution	2,899	-
State Contributions	-	-
Interest and Dividends	123,150	99,520
Trades Receivable	<u>205,560</u>	<u>78,085</u>
Total	<u>331,609</u>	<u>177,605</u>
<b>Payables and Reserves</b>		
State Contribution Reserve	415,563	304,055
Benefits	-	-
Refunds	-	5,885
Expenses	-	-
DROP Accounts	-	-
Trades Payable	<u>181,772</u>	<u>223,104</u>
Total	<u>597,335</u>	<u>533,044</u>
<b>Net Assets - Market Value</b>	<b>23,598,381</b>	<b>21,707,855</b>



<b>PENSION FUND INCOME AND DISBURSEMENTS</b>		
	<b>Year Ending 9/30/2006</b>	<b>Year Ending 9/30/2005</b>
<b>Market Value at Beginning of Period</b>	\$ 22,011,910	\$ 20,012,360
<b>Income</b>		
Contributions		
Member Contributions	219,928	211,005
State Contributions	773,954	726,370
Employer Contributions	379,397	285,786
Member Buyback	5,575	27,127
Total Contributions	1,378,854	1,250,288
Investment Income		
Dividends and Interest	657,856	611,954
Net Realized Gain (Loss)	1,120,720	1,086,143
Total Investment Income	1,778,576	1,698,097
Other Income	6,853	9,786
Total Income	3,164,283	2,958,171
<b>Disbursements</b>		
Monthly Benefit Payments	968,783	778,714
DROP Disbursements	-	-
Refunds of Contributions	17,150	24,607
Investment Related Expenses	136,641	122,029
Other Administrative Expenses	39,675	33,271
Other Expenses	-	-
Total Disbursements	1,162,249	958,621
<b>Net Increase During Period</b>	2,002,034	1,999,550
<b>Market Value at End of Period</b>	24,013,944	22,011,910
<b>Less: DROP Account Balance</b>	-	-
<b>Less: State Contribution Reserve</b>	415,563	304,055
<b>Final Market Value</b>	23,598,381	21,707,855

### ACTUARIAL VALUE OF ASSETS

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. Details of the derivation are set forth as follows:

	Plan Year End	Rate of Return*
	9/30/2003	10.06 %
	9/30/2004	7.91
	9/30/2005	7.79
	9/30/2006	7.40
	Annualized Rate of Return for Prior 4 Years	8.29 %
(A)	10/1/05 Actuarial Assets**	\$20,847,383
	10/1/05-9/30/06 Cash Flow	360,099
(I)	Net Investment Income Realized = (A + 1/2 Cash Flow) x Annualized Rate of Return	1,743,174
(B)	10/1/06 Derived Assets** = A + Cash Flow + I	22,950,656
	Less: DROP Account Balance	0
	Less: State Contribution Reserve	415,563
	Final Actuarial Value ***	22,535,093
	Final Actuarial Value Rate of Return	8.29 %
	Expected Investment Income	1,734,763
	Gain (Loss) Due to Investments	8,411

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

\*\* Before offset of DROP Account Balance and State Contribution Reserve.

\*\*\* Actuarial Value must be within 20% of Market Value.



## INVESTMENT RATE OF RETURN

The investment rate of return has been calculated on the following bases:

- Basis 1** Interest, dividends, realized gains (losses) and unrealized appreciation (depreciation) divided by the weighted average of the market value of the fund during the year. This figure is normally called the Total Rate of Return.
- Basis 2** Investment earnings recognized in the Actuarial Value of Assets divided by the weighted average of the Actuarial Value of Assets during the year.

Year Ending	Investment Rate of Return	
	Basis 1	Basis 2
9/30/2001	(8.4) %	N/A
9/30/2002	(7.8)	0.9 %
9/30/2003	10.1	(0.6)
9/30/2004	7.9	0.1
9/30/2005	7.8	4.2
9/30/2006	7.4	8.3
Average Compounded Rate of Return for Number of Years Shown	2.5 %	2.5 %
Average Compounded Rate of Return for Last 5 Years	4.9 %	2.5 %

**SECTION D**  
**FINANCIAL ACCOUNTING INFORMATION**



FASB NO. 35 INFORMATION		
A. Valuation Date	October 1, 2006	October 1, 2005
B. Actuarial Present Value of Accumulated Plan Benefits		
1. Vested Benefits		
a. Members Currently Receiving Payments	\$ 12,723,681	\$ 10,080,635
b. Terminated Vested Members	1,557,437	1,044,356
c. Other Members	12,771,680	12,673,852
d. Total	<u>27,052,798</u>	<u>23,798,843</u>
2. Non-Vested Benefits	385,013	245,122
3. Total Actuarial Present Value of Accumulated Plan Benefits: 1d + 2	27,437,811	24,043,965
4. Accumulated Contributions of Active Members	1,607,984	1,656,631
C. Changes in the Actuarial Present Value of Accumulated Plan Benefits		
1. Total Value at Beginning of Year	24,043,965	20,923,122
2. Increase (Decrease) During the Period Attributable to:		
a. Plan Amendment	N/A	N/A
b. Change in Actuarial Assumptions	758,239	666,433
c. Latest Member Data, Benefits Accumulated and Decrease in the Discount Period	3,621,540	3,257,731
d. Benefits Paid	<u>(985,933)</u>	<u>(803,321)</u>
e. Net Increase	3,393,846	3,120,843
3. Total Value at End of Period	27,437,811	24,043,965
D. Market Value of Assets	23,598,381	21,707,855
E. Actuarial Assumptions - See page entitled Actuarial Assumptions and Methods		

**SCHEDULE OF FUNDING PROGRESS**  
(GASB Statement No. 25)

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 % of Covered Payroll (b - a) / c
10/1/1999	\$ 14,964,660	\$ 16,592,736	\$ 1,628,076	90.2 %	\$ 2,761,424	59.0 %
10/1/2000	17,074,228	19,407,385	2,333,157	88.0	3,092,954	75.4
10/1/2001	17,984,005	20,180,729	2,196,724	89.1	3,086,095	71.2
10/1/2002	18,414,275	23,343,979	4,929,704	78.9	3,178,326	155.1
10/1/2003	18,765,584	25,203,116	6,437,532	74.5	3,876,041	166.1
10/1/2004	19,586,438	27,602,993	8,016,555	71.0	3,919,246	204.5
10/1/2005	20,543,328	29,414,973	8,871,645	69.8	4,051,684	219.0
10/1/2006	22,535,093	32,420,377	9,885,284	69.5	4,238,516	233.2

Note: Figures prior to 10/1/2005 taken from 10/1/2004 Report prepared by Foster & Foster, Inc.

**SCHEDULE OF EMPLOYER AND STATE CONTRIBUTIONS**  
**(GASB Statement No. 25)**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contributed</b>
9/30/1999	\$ 449,178	\$ 78,173	\$ 500,979	128.9 %
9/30/2000	384,643	78,173	500,979	150.6
9/30/2001	562,516	150,362	500,979	115.8
9/30/2002	611,467	118,529	500,979 *	101.3
9/30/2003	648,155	147,176	662,446 *	124.9
9/30/2004	780,656	365,900	662,446 *	131.7
9/30/2005	902,963	285,786	662,446 *	105.0
9/30/2006	1,041,843	379,397	662,446 *	100.0

\* Baseline amount per Chapter 185, F.S.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**GASB Statement No. 25 and No. 27**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation:

Valuation Date	October 1, 2006
Contribution Rates	
Employer (and State)	33.11%
Plan Members	5.00%
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market value
Actuarial Assumptions	
Investment rate of return	8.00%
Projected salary increases	6.0%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	3% per year from age 55 to 62



**SECTION E**  
**MISCELLANEOUS INFORMATION**



RECONCILIATION OF MEMBERSHIP DATA		
	From 10/1/05 To 10/1/06	From 10/1/04 To 10/1/05
<b>A. Active Members</b>		
1. Number Included in Last Valuation	69	71
2. New Members Included in Current Valuation	11	9
3. Non-Vested Employment Terminations	(2)	(4)
4. Vested Employment Terminations	(4)	(3)
5. Service Retirements	(4)	(4)
6. Disability Retirements	0	0
7. Deaths	0	0
8. DROP Retirement	0	0
9. Other - Transfers	1	0
10. Number Included in This Valuation	<u>71</u>	<u>69</u>
<b>B. Terminated Vested Members</b>		
1. Number Included in Last Valuation	15	14
2. Additions from Active Members	4	3
3. Lump Sum Payments/Refund of Contributions	0	(2)
4. Payments Commenced	0	0
5. Deaths	0	0
6. Other - Rehired	0	0
7. Other - From Prior Plan Year	0	0
8. Number Included in This Valuation	<u>19</u>	<u>15</u>
<b>C. DROP Plan Members</b>		
1. Number Included in Last Valuation	0	0
2. Additions from Active Members	0	0
3. Retirements	0	0
4. Deaths Resulting in No Further Payments	0	0
5. Other	0	0
6. Number Included in This Valuation	<u>0</u>	<u>0</u>
<b>D. Service Retirees, Disability Retirees and Beneficiaries</b>		
1. Number Included in Last Valuation	30	26
2. Additions from Active Members	4	4
3. Additions from DROP Participation	0	0
4. Additions from Terminated Vested Members	0	0
5. Deaths Resulting in No Further Payments	0	0
6. Deaths Resulting in New Survivor Benefits	0	0
7. End of Certain Period - No Further Payments	0	0
8. Other	0	0
9. Number Included in This Valuation	<u>34</u>	<u>30</u>

## ACTIVE PARTICIPANT SCATTER

Age Group	Years of Service to Valuation Date												Totals
	0-1	1-2	2-3	3-4	4-5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Up	
20-24 NO.	0	4	0	0	0	0	0	0	0	0	0	0	4
TOT PAY	0	178,626	0	0	0	0	0	0	0	0	0	0	178,626
AVG PAY	0	44,657	0	0	0	0	0	0	0	0	0	0	44,657
25-29 NO.	5	1	1	0	0	0	0	0	0	0	0	0	7
TOT PAY	197,038	44,729	48,501	0	0	0	0	0	0	0	0	0	290,268
AVG PAY	39,408	44,729	48,501	0	0	0	0	0	0	0	0	0	41,467
30-34 NO.	3	0	1	0	1	3	0	0	0	0	0	0	8
TOT PAY	120,575	0	44,631	0	49,058	161,269	0	0	0	0	0	0	375,533
AVG PAY	40,192	0	44,631	0	49,058	53,756	0	0	0	0	0	0	46,942
35-39 NO.	1	1	0	2	1	6	2	4	0	0	0	0	17
TOT PAY	39,408	48,703	0	95,331	46,439	327,865	126,785	262,713	0	0	0	0	947,244
AVG PAY	39,408	48,703	0	47,666	46,439	54,644	63,393	65,678	0	0	0	0	55,720
40-44 NO.	0	2	0	0	1	0	4	9	2	0	0	0	18
TOT PAY	0	86,086	0	0	48,906	0	250,245	632,978	151,624	0	0	0	1,169,839
AVG PAY	0	43,043	0	0	48,906	0	62,561	70,331	75,812	0	0	0	64,991
45-49 NO.	2	0	0	0	0	1	0	5	2	0	0	0	10
TOT PAY	78,815	0	0	0	0	57,544	0	346,094	158,598	0	0	0	641,051
AVG PAY	39,408	0	0	0	0	57,544	0	69,219	79,299	0	0	0	64,105
50-54 NO.	1	0	0	0	0	0	0	2	2	0	0	0	5
TOT PAY	40,584	0	0	0	0	0	0	125,629	181,513	0	0	0	347,726
AVG PAY	40,584	0	0	0	0	0	0	62,815	90,757	0	0	0	69,545
55-59 NO.	0	0	0	0	0	0	0	0	2	0	0	0	2
TOT PAY	0	0	0	0	0	0	0	0	150,901	0	0	0	150,901
AVG PAY	0	0	0	0	0	0	0	0	75,451	0	0	0	75,451
60-64 NO.	0	0	0	0	0	0	0	0	0	0	0	0	0
TOT PAY	0	0	0	0	0	0	0	0	0	0	0	0	0
AVG PAY	0	0	0	0	0	0	0	0	0	0	0	0	0
TOT NO.	12	8	2	2	3	10	6	20	8	0	0	0	71
TOT AMT	476,420	358,144	93,132	95,331	144,403	546,678	377,030	1,367,414	642,636	0	0	0	4,101,188
AVG AMT	39,702	44,768	46,566	47,666	48,134	54,668	62,838	68,371	80,330	0	0	0	57,763



INACTIVE PARTICIPANT SCATTER

Age Group	Terminated		Disabled		Retired		Deceased with Beneficiary	
	Number	Benefits	Number	Benefits	Number	Benefits	Number	Benefits
Under 20	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	1	7,358
25-29	1	6,619	-	-	-	-	-	-
30-34	1	13,302	-	-	-	-	-	-
35-39	5	65,600	-	-	-	-	-	-
40-44	7	115,211	-	-	-	-	-	-
45-49	3	44,530	-	-	5	285,146	1	11,395
50-54	2	17,980	-	-	7	254,505	-	-
55-59	-	-	-	-	5	208,588	1	16,859
60-64	-	-	-	-	4	140,033	-	-
65-69	-	-	-	-	7	139,179	1	18,238
70-74	-	-	-	-	-	-	-	-
75-79	-	-	-	-	2	15,737	-	-
80-84	-	-	-	-	-	-	-	-
85-89	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-
Total	19	263,242	-	-	30	1,043,188	4	53,850
Average Age	42		N/A		59		48	

**SECTION F**  
**SUMMARY OF PLAN PROVISIONS**



## SUMMARY OF PLAN PROVISIONS

### **Eligibility**

All regular sworn Police Officers.

### **Compensation**

Base compensation plus an annual amount up to \$6,700 in other compensation, but not including extra detail and special detail pay.

### **Average Final Compensation (AFC)**

Average salary during the three best consecutive years of service, or, if higher, during the five best years of the last ten; includes lump sum payment of accrued leave up to the maximum described above.

### **Normal Retirement**

**Eligibility** Earlier of age 50 or 25 years of credited service regardless of age.

**Benefit** 3.6% of AFC for each year of credited service.

**Form of Benefit** Ten year certain and life annuity with other options available.

### **Early Retirement**

**Eligibility** Earlier of age 45 or 20 years of credited service regardless of age.

**Benefit** Same as Normal except reduced 3% for each year early.

### **Disability Retirement**

**Eligibility** All members are eligible for duty and non-duty benefits.

**Benefit** Accrued pension benefit with a minimum of 42% of AFC if line of duty or 25% of AFC if non-line of duty.

### **Death Benefits (Pre-Retirement)**

Upon the death of a member with at least five years of credited service, beneficiary will receive monthly income, payable in the form of a ten year certain and life annuity, equal to the accrued pension actuarially adjusted to reflect the early commencement of the benefit.

**Cost of Living Adjustment**

Each service retiree and survivor beneficiary who retires on or after January 1, 1998 will receive a 3% increase in benefits each year on October 1<sup>st</sup> from age 55 to age 62.

**Termination Benefits**

Less than five years of credited service – return of employee contributions with interest.

Five years or more – accrued pension payable at age 50.

**Contributions**

<b>Employees</b>	5% of Compensation.
<b>State</b>	Premium tax refund per Chapter 185.
<b>City</b>	Remaining amount necessary according to State laws.

**Changes Since Last Valuation**

None.