Public Pension
Professionals, Inc.

# City of Pompano Beach General Employees' Retirement System

## Actuarial Valuation as of October 1, 2008

This Valuation Report determines the
Annual Required Contribution for the
Plan Year and Fiscal Year
October 1, 2009 through September 30, 2010

January 2009

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# Section 1 Highlights

This report presents the results of the October 1, 2008 actuarial valuation of the City of Pompano Beach (the City) General Employees' Retirement System (the Plan). Results from the prior valuation are shown for comparison.

## Required Contribution Rates

| Fiscal Year Starting | October 1, 2008 | October 1, 2009 |
|---|---|---|
| City | $ 3,413,095 | $4,019,322 |
| Broward Sheriff's Office | 291,598 | 317,682 |
| Total | $ 3,704,693 | 4,337,004 |
| Percentage of Payroll | 13.41% | 15.25% |

## Funded Status

| Valuation Date | October 1, 2007 | October 1, 2008 |
|---|---|---|
| Actuarial Accrued Liability | $143,587,103 | $152,425,115 |
| Actuarial Value of Assets | $118,772,822 | $124,869,067 |
| UAAL | $ 24,814,281 | $ 27,556,048 |
| Funded Percentage | 82.7% | 81.9% |

## Variable Cost-of-Living-Adjustment (COLA)

The variable cost-of-living-adjustment will not be paid this year.

## Key Assumptions

| | | |
|---|---|---|
| Interest Rate | 8.0% | 8.0% |
| Salary Increases | 4.0%—11.0% | 4.25%—7.5% |
| Inflation | 3.5% | 3.5% |

# Section 2 Board Summary

This actuarial valuation report has been prepared primarily to review the Plan's funded status as of October 1, 2008 and determine the contributions required of the City and the Broward Sheriff's Office for the Plan Year and Fiscal Year running from October 1, 2009 through September 30, 2010. This is done annually by taking a snapshot of the Plan on the basis of the Plan provisions, Plan membership, and investments as of the end of each Plan Year.

## A. Major Events

The effects of major events affecting the contribution rates and funded position of the Plan primarily fall into five categories:

- Investments,
- Demographics,
- Funding,
- Benefits, and
- Assumptions and Methodology.

Those categories are discussed below.

### Investments

Empirical evidence suggests that over 90% of the return achieved by a portfolio is due to the allocation of assets within that portfolio. As of October 1, 2008, the Retirement Plan's asset allocation was:

| | |
|---|---|
| Stocks | 66% |
| Corporate Bonds | 12% |
| Government Bonds | 8% |
| Real Estate | 12% |
| Cash & Equivalents | 2% |

This past year was a bad one for the economy with the markets experiencing a drop in value unlike any seen in a long time. The severe decline in stocks and real estate caused losses for pension plans across the United States, and this Plan was not immune to those losses. On a market value basis, the Plan investments achieved a return of approximately -15.7% for the fiscal year 2007-2008, resulting in a $29.9 million loss to the Plan on a market value basis.

The Plan uses an asset smoothing method to determine contribution rates and the Plan's funded position. This method spreads market gains (or losses) greater than the assumed rate (or less than the assumed rate) over a five year period. Using the asset smoothing method, Plan assets achieved a return for the fiscal year of approximately 5.3% due to the spreading of a portion of previous gains into the current year and a portion of current losses into future years. This resulted in an actuarial loss (return less than expected) of approximately $3.2 million.

Detailed information regarding plan investments, including the development of the actuarial value of assets, is shown in the Asset Information subsection in the Technical Information section of the report.

## Demographics

The number of active members increased from 512 to 518. Included in this number are 8 new members participating due to the inclusion of senior managers in the plan. The average pay for employees included in the valuation increased by 1.7%. This caused the total covered payroll to increase by 2.9% from $26.8 million to $27.6 million.

The DROP continues to be popular. The number of members enrolled in DROP increased from 21 to 23. This occurred despite nine members retiring from DROP. The large number of people leaving DROP was likely due to the Plan attaining the fifth anniversary of the DROP, and many of the initial entrants into DROP reaching the end of their maximum DROP Period. The payment of these DROP Account balances caused the total DROP balance to decrease slightly from $1.6 million to almost $1.5 million.

The number of retired members and beneficiaries receiving pension checks increased from 271 to 282. The average monthly benefit check went from $1,541 to $1,648 (an increase of 6.9%).

## Funding

In this valuation, we determine the recommended contribution rate for the City on a projected basis. When we use the term "projected basis", we mean that the contribution rate calculated in this valuation is designed to take effect in the following fiscal year.

While this approach is expected to be actuarially sound over the long term, it creates potential mismatches between contributions and liability changes in the short term. In times of rising contribution rates, the City will be paying less than would otherwise have been required and more when contribution rates are falling. Because the contribution rate determined in the October 1, 2006 actuarial valuation for the Fiscal Year beginning October 1, 2007 (as adjusted to reflect the benefit change that was made during that fiscal year) was less than the contribution rate determined in the October 1, 2007 actuarial valuation (for the Fiscal Year beginning October 1, 2008) there was an actuarial loss due to contribution timing. Over time, these gains and losses are expected to balance out.

## Benefits

Since the last valuation, the City adopted an ordinance that allowed Senior Management Employees previously excluded from this Plan to join the plan. Participation is mandatory for Senior Managers hired after the effective date of the proposed ordinance. Senior Managers who were already in the Plan will continue in the Plan. Senior Managers who were not in the Plan were given a chance to make a series of irrevocable elections. The first election determined whether they joined the Plan and all eligible Senior Managers elected to do so. The second election related to the purchase of past service with the City. As of the valuation date, four Senior Managers made contributions to the Plan to purchase prior service with the City.

## Assumptions and Methodology

After the completion of the October 1, 2007 actuarial valuation, Public Pension Professionals was asked to review Plan experience and recommend potential changes to the Plan's demographic assumptions. On the basis of that study, the Board adopted several changes to the Plan's economic and demographic assumptions that would take effect with the October 1, 2008 actuarial valuation. The adopted changes include:

## Economic Assumptions

- **Salary Increases**: The salary increase assumption for individual employees is composed of two components, an across-the-board increase rate that affects all employees and a merit and longevity component. The Board adopted a refinement in the merit and longevity component of the salary increase assumption for individual employees working for the City to better match the current compensation practices employed by the City.

## Demographic Assumptions

- **Terminations**: This is the probability of leaving employment and receiving a refund of contributions or a deferred retirement benefit. The Board adopted a change in the structure of the termination assumption to reflect our finding that approximately 2/3 of the terminations during the study period occurred during the first four years of a person's employment with the City. Overall, the new rates are lower than those used in the previous valuations to reflect plan experience.

- **Disability**: This is the probability of becoming disabled during the year. The Board adopted a decrease in the total rates of disability at each age to half of the prior rate to better match actual disability experience.

- **Retirement**: This is the probability that a member begins to receive a monthly pension benefit, either by leaving employment and starting pension payments or by entering DROP and having the monthly benefit amount credited to an account. The Board adopted slight adjustments to the retirement assumption between ages 55 and 65. They also adopted changes in the assumptions regarding which employees will enter DROP and which will begin receiving payments to reflect the emerging experience under the Plan.

We are also recommending one additional methodology change with this valuation. In previous years, we have tracked a Supplemental Death Benefit Reserve. The Reserve consisted of voluntary contributions made by a specific closed group of plan members who elected to purchase additional coverage under the Plan, along with interest on those contributions. Payments under this program were made from the reserve. Since the last of the employees to elect this coverage has retired, no additional payments will be made from this reserve. It is our understanding that these amounts may now be included with regular valuation assets and we recommend making such a change beginning with this valuation.

## Significant Events After the Valuation

This actuarial valuation has been prepared on the basis of member data, plan provisions and asset information available as of September 30, 2008. Between that date and the time that we finalized this report, the markets continued to experience a drop in value unlike any seen in a long time. Even though analysis of the impact of events occurring after the valuation date are outside the scope of this actuarial valuation report, Plan Trustees and the City may want to consider the current economic environment, including investment losses that occurred both before and after the valuation date but have not yet been recognized in the actuarial value of assets, when determining contributions to the Plan for the upcoming year.

# B. Funded Position

The primary liability target for the Plan is the Actuarial Accrued Liability. The **Actuarial Accrued Liability (AAL)** is the portion of the Present Value of Benefits attributed to the past. In other words,

- If current plan benefits had always been in place, and
- If the current assumptions had always been in place, and
- If the plan had always been funded under the current funding method, and
- If plan experience had always matched the assumptions, then

The Actuarial Value of Assets would be equal to the Actuarial Accrued Liability. It is the value often used as a funding target. The Unfunded Actuarial Accrued Liability is equal to the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets.

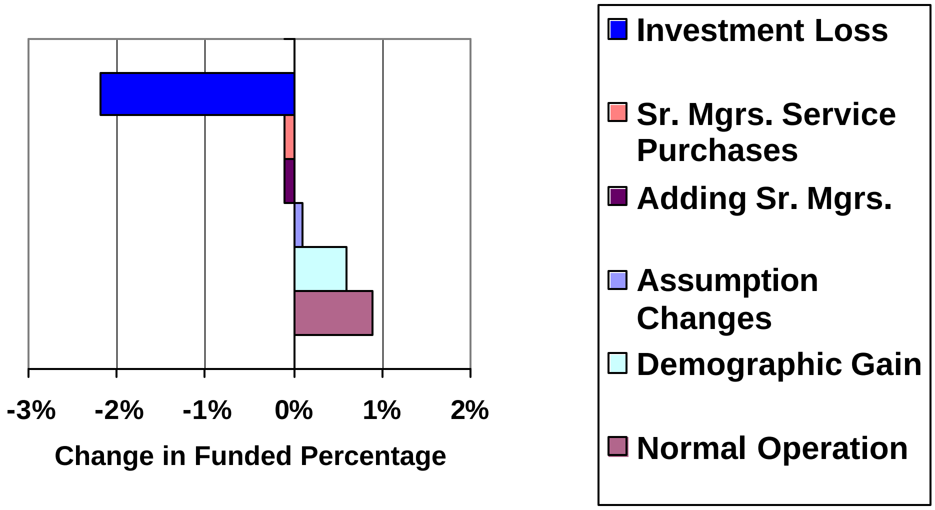
The Plan's funded percentage is 81.9%. It is calculated by dividing the Actuarial Value of Assets ($124.9 million) by the Actuarial Accrued Liability ($152.4 million).

## Impact of Major Events

The funded percentage decreased from 82.7% in 2007 to 81.9% in 2008. This decrease can be attributed primarily to the following events.

- Normal operation of plan increased the funded percentage by 0.9%.
- Demographic gains increased the funded percentage by 0.6%.
- Asset related losses, which include investment losses, the shortfall due to funding on a projected basis and administrative expense different than anticipated, decreased the funded percentage by 2.2%.
- Adding Senior Managers to the Plan decreased the funded percentage by 0.1%.
- Purchases of Prior Service by Senior Managers decreased the funded percentage by 0.1%.
- Changes in actuarial assumptions and methodology, including the recognition of the assets formerly allocated to the Supplemental Death Benefit Reserve, increased the funded percentage by 0.1%

**Impact of Major Events on Funded Percentage**



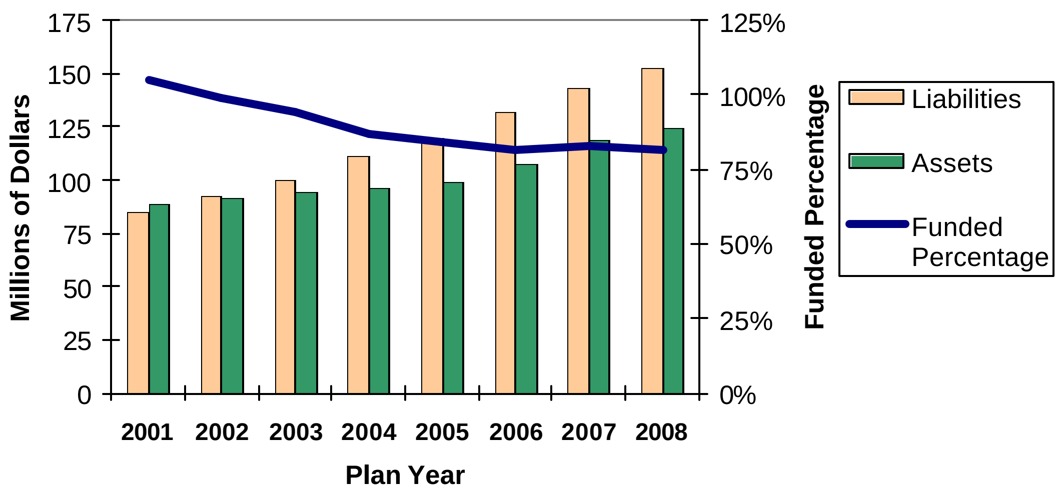

## History of Funded Position

With this valuation, the funded percentage resumed its decline that had been occurring since its peak in 2000. There were various reasons for the prior decline. The initial decline was primarily due to weak investment markets between 2000 and 2002. The decline continued after the markets recovered, in part, because of plan changes in 2004 and 2006. Continued investment gains helped the funded percentage begin to increase in 2007, but those prior gains were offset by market losses in 2008 greater than we had seen in many years.

| As of September 30 | Actuarial Accrued Liability (in $Millions) | Actuarial Value of Assets (in $Millions) | Funded Percentage |
|---|---|---|---|
| **2008** | $152.4 | $124.9 | 81.9% |
| **2007** | 143.6 | 118.8 | 82.7% |
| **2006** | 131.6 | 107.3 | 81.6% |
| **2005** | 120.1 | 99.0 | 82.4% |
| **2004** | 111.2 | 96.7 | 87.0% |
| **2003** | 100.3 | 94.7 | 94.5% |
| **2002** | 92.8 | 91.7 | 98.8% |
| **2001** | 85.0 | 89.3 | 105.1% |

Background information on the development of these funded percentages is included in the Technical Information section later in this report. Information in the above schedule for Plan Years ended September 30, 2001 is based on information prepared by Gabriel, Roeder, Smith & Company.

History of Funded Position



# C. Required Contributions

Employer contributions are generally determined as the sum of two elements: the Normal Cost and an Amortization of the Unfunded Actuarial Accrued Liability.

The **Normal Cost (NC)** is the portion of the Present Value of Benefits attributed to the current year. In other words,

- If current plan benefits had always been in place, and
- If the current assumptions had always been in place, and
- If plan experience had always matched the assumptions, then

A contribution equal to the Normal Cost would be sufficient to keep the plan right on target, at 100% funded.

In the normal course of operating a retirement plan, there are a number of reasons why the plan may be someplace other than at 100% funded.

- **Plan Amendments** – These are changes in the benefits that are to be paid to plan members, such as an improvement in the multiplier or the DROP.
- **Assumption Changes** – Periodically, the plan actuaries and trustees adjust their expectation for the future. We are making such a change in this valuation with the recommended changes in the rates of termination, disability and retirement.
- **Methodology Changes** – Every few years, the actuary recommends a refinement in its actuarial methodology. An example of this would be the recognition of the amounts previously allocated to the Supplemental Death Benefit Reserve in the actuarial value of assets recommended in this valuation.
- **Gain or Loss** – Each year actual plan experience is different than the experience projected under the plan assumptions. When actual experience reduces the Unfunded Actuarial Accrued Liability, it is called a gain. When plan experience increases the Unfunded Actuarial Accrued Liability, it is called a loss.

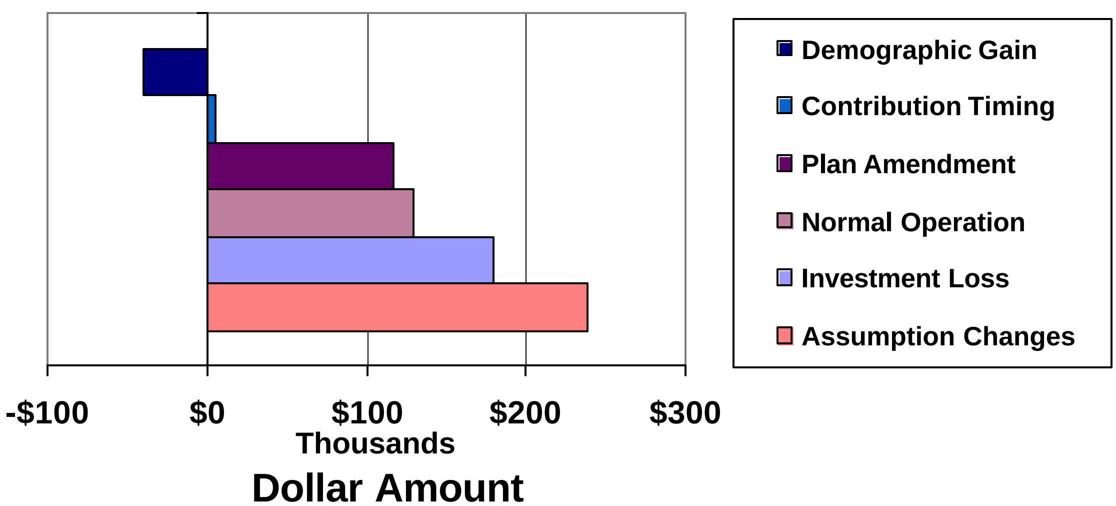
The amount that the funding is off target is added to the NC (when behind target) or reduced from the NC (when ahead of target) over a 30-year period. The payments are similar to a mortgage, in that they are paid a little at a time over a long period. The payments differ from a standard mortgage because they increase each year as a percentage of expected pay increases (but no faster than the average growth of total payroll for the past decade).

# Impact of Major Events

The required employer contribution increased from $3.7 million for Fiscal Year 2008-2009 to $4.3 million for Fiscal Year 2009-2010. This increase can be attributed primarily to the following events:

- Normal operation of the contribution methodology increased the required contribution by $ 130,000.
- Contribution timing, due to the one-year delay between valuation and contribution, increased the required contribution by $ 6,000.
- Investment losses increased the required contribution by $ 180,000
- Differences between actual demographic experience and valuation assumptions, decreased the required contribution by $ 39,000, primarily due to salaries being less than assumed.
- Adding Senior Managers (including purchased service) increased the required contribution by $117,000
- Changes in actuarial assumptions and methodology increased the required contribution by $239,000

**Impact of Major Events on Employer Contribution**



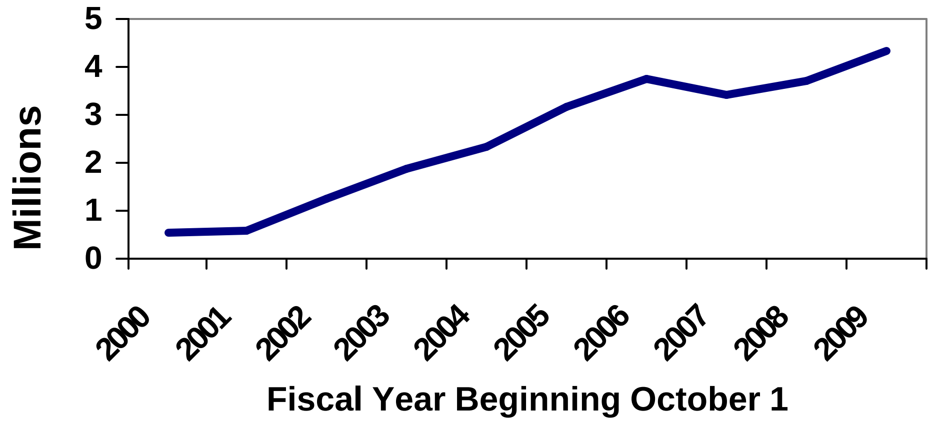
## History of Required Contributions

In dollar terms, the employer contribution is expected to increase each year along with payroll growth, but some years it increases more than others. For the first few years of the decade, the required employer contribution had increased primarily due to weak investment returns in Plan Years 2000 - 2002 and a shift to more conservative assumptions. The rise in required contributions continued for the fiscal years beginning in October 1, 2004 through 2006 due to plan amendments and the realization of previously unrecognized investment losses. The contribution increase was temporarily slowed for the fiscal year beginning October 1, 2007 due to a combination of strong investment return and some one-time events, but the contribution amount resumed its expected rise for Fiscal Year 2008/2009 due to salary increases and other demographic losses offsetting the continued investment gains. The contribution amount grew again this year due to a combination of investment losses, assumption changes and the addition of senior managers to the Plan.

| Fiscal Year Beginning October 1 | Required Contribution |
|---|---|
| 2009 | $4,337,004 |
| 2008 | 3,704,693 |
| 2007 | 3,415,550 |
| 2006 | 3,732,673 |
| 2005 | 3,142,462 |
| 2004 | 2,340,092 |
| 2003 | 1,848,375 |
| 2002 | 1,228,956 |
| 2001 | 588,943 |
| 2000 | 547,272 |

Background information on the development of the required contribution is included in the Technical Information section later in this report.

# History of Required Contributions



Section 3

# Accounting Information

Accounting standards for governmental entities are set by the Governmental Accounting Standards Board (GASB). Statement Number 25 (GASB 25) describes the disclosure requirements for the financial statements of the Retirement Plan. These include a Schedule of Funding Progress and a Schedule of Employer Contributions.

The disclosure requirements for the City's financial statements are described in Statement Number 27 (GASB 27). These include the development of the Annual Pension Cost and the Net Pension Obligation.

## A. Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets* (a) | Actuarial Accrued Liability (AAL)* (b) | Unfunded AAL (UAAL)* (b - a) | Funded Ratio (a/b) | Covered Payroll* (c) | UAAL as a Percentage of Covered Payroll ((b - a) / (c)) |
|---|---|---|---|---|---|---|
| 10/1/2008 | $124,869 | $152,425 | $27,556 | 81.9% | $27,478 | 100.28% |
| 10/1/2007 | 118,773 | 143,587 | 24,814 | 82.7% | 26,692 | 92.96% |
| 10/1/2006 | 107,334 | 131,560 | 24,226 | 81.6% | 24,963 | 97.05% |
| 10/1/2005 | 98,980 | 120,076 | 21,096 | 82.4% | 22,405 | 94.16% |
| 10/1/2004 | 96,736 | 111,252 | 14,516 | 87.0% | 21,875 | 66.36% |
| 10/1/2003 | 94,742 | 100,282 | 5,540 | 94.5% | 22,655 | 24.45% |
| 10/1/2002 | 91,710 | 92,831 | 1,121 | 98.8% | 22,075 | 5.08% |
| 10/1/2001 | 89,323 | 85,000 | (4,323) | 105.1% | 20,759 | (20.83)% |
| 10/1/2000 | 85,435 | 69,598 | (15,837) | 122.8% | 19,827 | (79.88)% |

*Dollar values are in thousands.

Information in the above schedule for Plan Years ended September 30, 2001 and before is based on information prepared by Gabriel, Roeder, Smith & Company.

# B. Schedule of Employer Contributions

| Fiscal Year Ended September 30 | Annual Required Contribution (ARC) | Percentage Contributed |
|---|---|---|
| 2008 | $3,415,550 | 100% |
| 2007 | 3,732,673 | 109% |
| 2006 | 3,142,462 | 100% |
| 2005 | 2,340,092 | 100% |
| 2004 | 1,848,375 | 100% |
| 2003 | 1,228,956 | 100% |
| 2002 | 588,943 | 103% |
| 2001 | 547,272 | 100% |
| 2000 | 986,565 | 101% |
| 1999 | 1,209,478 | 100% |

Information in the above schedule for the Fiscal Years ended September 30, 2002 and before is based on information prepared by Gabriel, Roeder, Smith & Company.

The table below summarized certain information used in the calculation of the schedules in subsections A and B:

| | |
|---|---|
| **Valuation date** | September 30, 2008 |
| **Actuarial cost method** | Entry Age |
| **Amortization method** | Level percent closed |
| **Remaining amortization period** | 30 years |
| **Asset valuation method** | 5-year smoothed market |
| **Actuarial assumptions** | |
| **Investment rate of return*** | 8.0% |
| **Projected salary increases*** | 4.25 – 7.5% varying by service |
| *** Includes inflation at** | 3.5% |
| **Cost of living adjustments** | 2.0% |

# C. Development of Net Pension Obligation

| | Year Ended September 30, 2008 | Year Ended September 30, 2007 | Year Ended September 30, 2006 |
|---|---|---|---|
| **1. Beginning of year NPO** | $ (461,327) | $ (126,940) | $ (122,617) |
| **2. City Contributions** | 3,416,488 | 4,064,240 | 3,144,061 |
| **3. Pension Cost** | 3,405,301 | 3,729,853 | 3,139,738 |
| **4. End of year NPO (1-2+3)** | $ (472,514) | $ (461,327) | $ (126,940) |

# D. Schedule of Employer Cost

| Fiscal Year Ended September 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2008 | $3,405,301 | 100% | $(472,514) |
| 2007 | 3,729,853 | 109% | (461,327) |
| 2006 | 3,139,738 | 100% | (126,940) |
| 2005 | 2,337,451 | 100% | (122,617) |
| 2004 | 1,845,822 | 100% | (118,844) |
| 2003 | 1,226,457 | 100% | (114,971) |
| 2002 | 607,042 | 100% | (112,472) |
| 2001 | 552,015 | 99% | (110,323) |

The Annual Pension Costs for the years beginning October 1, 2006 through 2008 are developed as follows:

| | Year Beginning October 1, 2008 | Year Beginning October 1, 2007 | Year Beginning October 1, 2006 |
|---|---|---|---|
| **1. Annual Required Contribution** | $3,415,550 | $3,732,673 | $3,142,462 |
| **2. Interest on NPO** | (36,906) | (10,155) | (9,809) |
| **3. Amortization of NPO** | (26,658) | (7,335) | (7,085) |
| **4. Annual Pension Cost (1 + 2 - 3)** | $3,405,301 | $3,729,853 | $3,139,738 |

Information in the above schedules for the Fiscal Years ended September 30, 2001 and before is based on information prepared by Gabriel, Roeder, Smith & Company.

Section 4

# Technical Information

## A. Asset Information

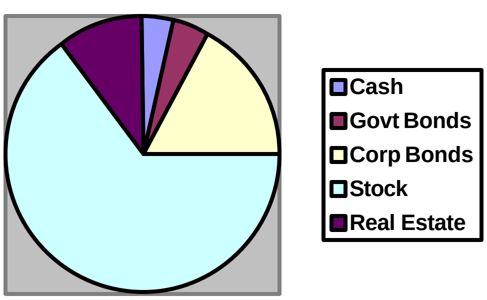
### Comparative Statement of Plan Net Assets at Market Value

| | September 30, 2007 | | September 30, 2008 | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| Cash and Cash Equivalents | $ 4,935,913 | 4% | $ 3,066,173 | 3% |
| Government Bonds | 4,769,265 | 4% | 8,471,534 | 8% |
| Corporate Bonds | 22,068,853 | 17% | 12,806,517 | 12% |
| Common Stock | 81,967,860 | 65% | 69,644,560 | 66% |
| Real Estate | 12,789,781 | 10% | 12,841,578 | 12% |
| Net Receivables and Other | (9,443) | 0% | (643,150) | -1% |
| ***Net Assets*** | $126,522,229 | 100% | $106,187,212 | 100% |

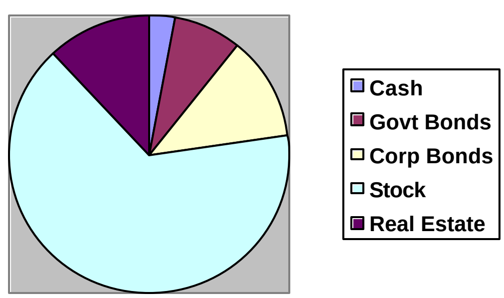
Percentages may not add to 100% due to rounding.

### Asset Allocation

**September 30, 2007**




**September 30, 2008**



## Development of Actuarial Value of Assets

### Development of Asset Gain (Loss) for the Plan Year Ended September 30, 2008

| | |
|---|---|
| 1. a. Total Market Value of Assets - Beginning of Year | $ 126,522,229 |
| b. Supplemental Death Benefit Fund – Beginning of Year | 337,780 |
| c. Valuation Market Value of Assets – Beginning of Year = (a) – (b) | 126,184,449 |
| 2. Expected Interest on Assets | 10,094,756 |
| 3. Contributions | 6,506,416 |
| 4. Benefit Payments | (6,521,687) |
| 5. Administrative Expenses | (531,899) |
| 6. Interest on items (3), (4) and (5) | (21,466) |
| 7. Expected Value of Assets at End of Year | 135,710,569 |
| 8. a. Actual Market Value of Assets – End of Year | 106,187,212 |
| b. Supplemental Death Benefit Fund – End of Year | 364,827 |
| c. Valuation Market Value of Assets – End of Year = (a) – (b) | 105,822,384 |
| 9. Gain (Loss) for Plan Year = (8c) - (7) | $ (29,888,185) |

## Development of Actuarial Value of Assets as of September 30, 2008

| | | | | | | |
|---|---|---|---|---|---|---|
| 1. | a. | Total Market Value of Assets as of 9/30/2008 | | | $ | 106,187,212 |
| | b. | Less Supplemental Death Benefit Fund (after method change) | | | | 0 |
| | c. | Valuation Market Value of Assets as of 9/30/2008 = a – b | | | | 106,187,212 |

2. Phase-In Gains (Losses) Over Five Year Period

| | | Original Gain (Loss) | Percent Unrecognized | Unrecognized Gain (Loss) |
|---|---|---|---|---|
| a. | Year Ending 9/30/2008 | $ (29,888,185) | 80% | $ (23,910,548) |
| b. | Year Ending 9/30/2007 | 7,793,271 | 60% | 4,675,963 |
| c. | Year Ending 9/30/2006 | 856,183 | 40% | 342,473 |
| d. | Year Ending 9/30/2005 | 1,051,286 | 20% | 210,257 |
| e. | Total | | | $ (18,681,855) |

| | | | | |
|---|---|---|---|---|
| 3. | | Preliminary Actuarial Value of Assets as of 9/30/2008 = 1.c. – 2.e. | $ | 124,869,067 |
| 4. | | Corridor Around Market Value | | |
| | a. | Minimum = 80% of Market Value of Assets | $ | 84,949,769 |
| | b. | Maximum = 120% of Market Value of Assets | $ | 127,424,654 |
| | c. | Corridor Adjustment to Preliminary Actuarial Value | $ | 0 |
| 5. | | Actuarial Value of Assets as of 9/30/2008 (3. + 4.c.) | $ | 124,869,067 |

## Reconciliation of Assets for the Year Ended September 30, 2008

| | Market Value | Actuarial Value |
|---|---|---|
| **Beginning of Year** | **$126,522,229** | **$118,772,822** |
| ***Contributions*** | | |
| Employee Regular | $ 3,089,928 | |
| City | 3,085,890 | |
| County | 330,598 | |
| Total | $ 6,506,416 | $ 6,506,416 |
| ***Benefit Payments*** | | |
| Retirement Benefits | $ (6,333,970) | |
| Refunds | (187,717) | |
| Total | $ (6,521,687) | $ (6,521,687) |
| ***Investment Income*** | | |
| Interest & Dividends | $ 4,060,689 | |
| Realized/Unrealized Gains / Losses | (23,261,154) | |
| Investment Expenses | (709,424) | |
| Other Income | 122,042 | |
| Net Investment Income | $ (19,787,847) | $ 6,278,588 |
| ***Administrative Expenses*** | $ (531,899) | $ (531,899) |
| **End of Year** | **$106,187,212** | **$124,504,239** |
| Estimated Return (net of investment expenses) | (15.7%) | 5.3% |

The market value of assets includes DROP account balances and the balance of the Supplemental Death Benefit Fund. The balance of the Supplemental Death Benefit Fund was excluded from the Actuarial Value of Assets in previous valuations. With no more active employees eligible to receive a payment from the Supplemental Death Benefit Fund, this amount ($364,827 as of September 30, 2008) will be included in the Actuarial Value of Assets beginning with this valuation. The reconciliation of the Actuarial Value of Assets is shown above prior to that change in methodology.

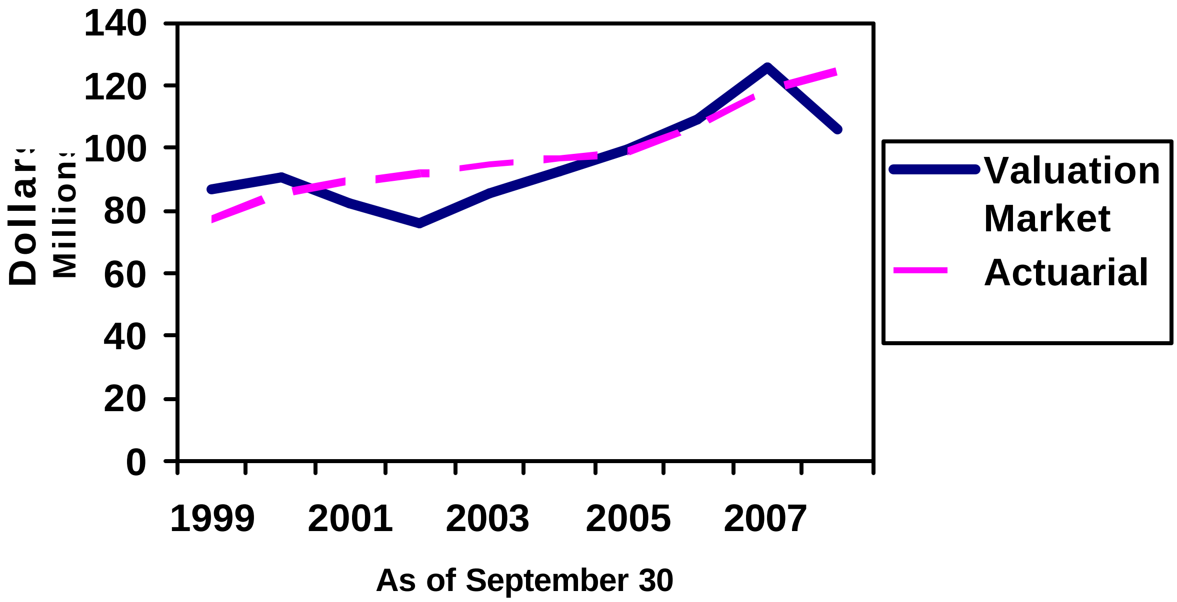
## Historical Asset Values

### Asset Values as of September 30

| Year | Valuation Market Value | Actuarial Value |
|---|---|---|
| **2008** | $106,187,212 | $124,869,067 |
| **2007** | 126,184,449 | 118,772,822 |
| **2006** | 109,249,514 | 107,334,005 |
| **2005** | 99,890,915 | 98,980,085 |
| **2004** | 92,735,898 | 96,735,577 |
| **2003** | 85,458,520 | 94,741,607 |
| **2002** | 76,424,845 | 91,709,814 |
| **2001** | 82,147,166 | 89,323,230 |
| **2000** | 90,371,615 | 85,434,892 |
| **1999** | 86,375,224 | 77,718,464 |

The asset values for September 30, 2001 and earlier are based on information taken from the reports of the prior actuary.

### Comparison of Asset Values



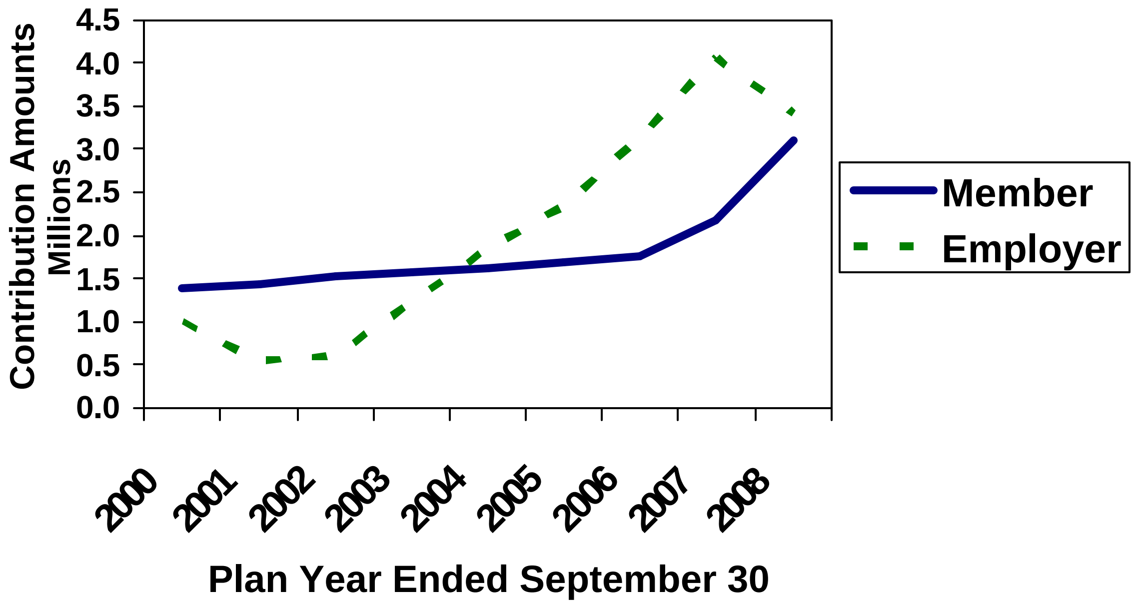
## Historical Contribution Amounts

### Contribution Amounts for the Plan Years ended September 30

| Year | Member Contributions | City and County |
|---|---|---|
| **2008** | $ 3,089,928 | $ 3,416,488 |
| **2007** | 2,181,898 | 4,064,240 |
| **2006** | 1,761,103 | 3,144,061 |
| **2005** | 1,698,335 | 2,341,224 |
| **2004** | 1,631,767 | 1,849,695 |
| **2003** | 1,574,291 | 1,228,956 |
| **2002** | 1,531,571 | 609,191 |
| **2001** | 1,437,014 | 547,772 |
| **2000** | 1,395,315 | 998,477 |

The contribution amounts for September 30, 2001 and earlier are based on information taken from the reports of the prior actuary. The member contribution amounts for the year ended September 30, 2008 included contributions made by Senior Managers to purchase prior service with the City.

### Comparison of Contribution Amounts



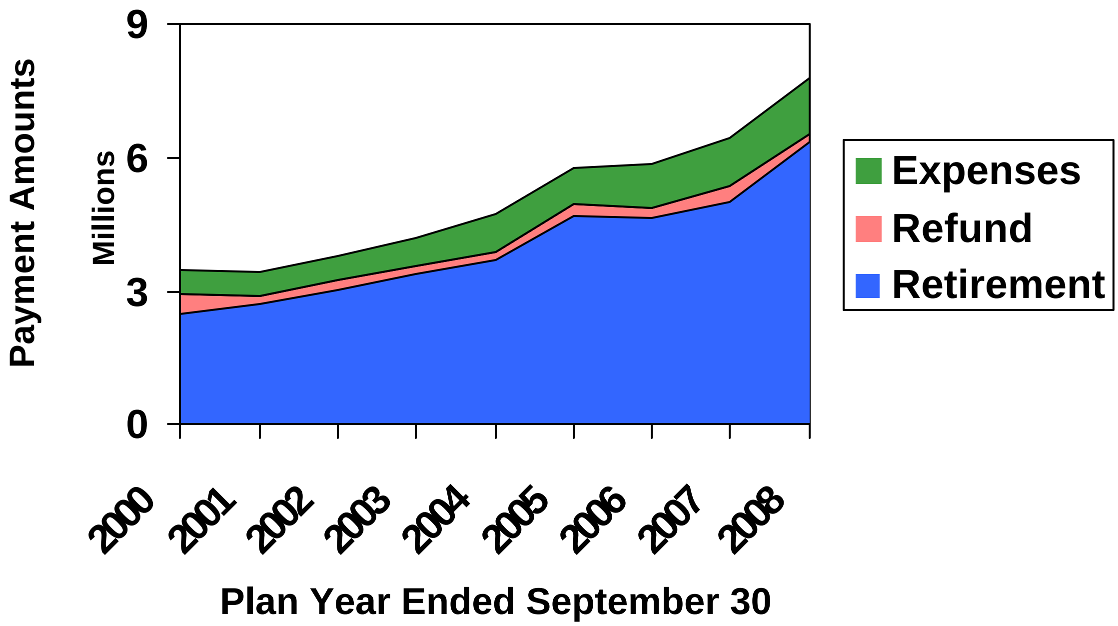
## Historical Payment Amounts

### Payment Amounts for the Plan Years ended September 30

| Year | Retirement Benefits | Refunds | Administrative Expenses | Investment Expenses |
|---|---|---|---|---|
| **2008** | $ 6,333,970 | $ 187,717 | $ 531,899 | $ 709,424 |
| **2007** | 5,009,768 | 367,129 | 482,702 | 569,451 |
| **2006** | 4,641,050 | 221,074 | 425,926 | 577,384 |
| **2005** | 4,695,826 | 271,781 | 387,998 | 418,854 |
| **2004** | 3,712,048 | 183,012 | 330,446 | 479,968 |
| **2003** | 3,365,295 | 191,412 | 282,053 | 331,261 |
| **2002** | 3,045,598 | 208,440 | 250,351 | 300,964 |
| **2001** | 2,710,468 | 188,704 | 222,473 | 322,196 |
| **2000** | 2,506,031 | 443,770 | 152,086 | 368,431 |

The payment amounts for September 30, 2001 and earlier are based on information taken from the reports of the prior actuary.

### Comparison of Payment Amounts

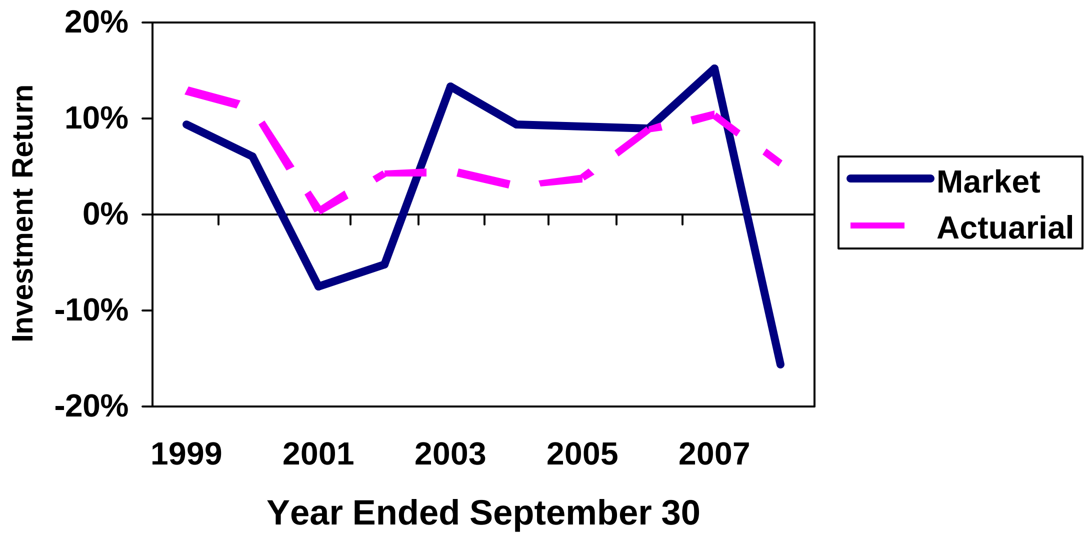


## Historical Rates of Investment Return

Estimated Investment Return for the Year Ended September 30

| Year | Market Value | Actuarial Value | Assumed Return |
|---|---|---|---|
| **2008** | (15.7%) | 5.3% | 8.0% |
| **2007** | 15.1% | 10.3% | 8.0% |
| **2006** | 8.9% | 8.8% | 8.0% |
| **2005** | 9.1% | 3.7% | 8.0% |
| **2004** | 9.4% | 2.9% | 8.0% |
| **2003** | 13.3% | 4.5% | 8.0% |
| **2002** | (5.3%) | (1.8%) | 8.5% |
| **2001** | (7.5%) | 0.3% | 8.5% |
| **2000** | 5.9% | 10.9% | 8.0% |
| **1999** | 9.3% | 12.9% | 8.0% |

Comparison of Investment Return




The estimated rates of investment return for the years 1998 through 2001 are taken from the reports of the prior actuary, and have been calculated net of investment fees.

# B. Liability Information

## Present Value of Projected Benefits

| | October 1, 2007 | Old Plan Provision, Prior Assumptions & Methods<br>October 1, 2008 | Add Senior Managers without Prior Service<br>October 1, 2008 | Include Senior Managers Purchases of Prior Service<br>October 1, 2008 | New Plan Provision, Assumptions & Methods<br>October 1, 2008 |
|---|---|---|---|---|---|
| ***1. Active Members*** | | | | | |
| a. Service Retirement Benefits | $ 91,760,674 | $ 91,589,410 | $ 93,288,181 | $ 93,561,995 | $103,779,756 |
| b. Deferred Vested Benefits | 5,558,112 | 5,410,962 | 5,584,563 | 5,605,394 | 3,258,610 |
| c. Death Benefits | 2,412,518 | 2,400,851 | 2,507,121 | 2,518,282 | 2,818,398 |
| d. Disability Benefits | 6,367,163 | 6,329,515 | 6,543,091 | 6,610,575 | 3,816,699 |
| e. Return of Member Contributions | 1,229,513 | 1,292,001 | 1,297,553 | 1,286,995 | 903,736 |
| f. Total Liability | $ 107,327,980 | $107,022,739 | $109,220,509 | $109,583,241 | $114,577,199 |
| ***2. Vested Terminated Members*** | $ 3,115,037 | $ 2,779,355 | $ 2,779,355 | $ 2,779,355 | $ 2,779,355 |
| ***3. Current Retirees and Beneficiaries*** | | | | | |
| a. Retirees and Beneficiaries | $ 48,788,151 | $ 54,198,271 | $ 54,198,271 | $ 54,198,271 | $ 54,198,271 |
| b. Disabled | 3,158,622 | 3,703,373 | 3,703,373 | 3,703,373 | 3,703,373 |
| c. DROP | 10,547,205 | 12,593,238 | 12,593,238 | 12,593,238 | 12,593,238 |
| d. Total Liability | $ 62,493,978 | $ 70,494,882 | $ 70,494,882 | $ 70,494,882 | $ 70,494,882 |
| ***4. All Members*** | $ 172,936,995 | $180,296,976 | $182,494,746 | $182,857,478 | $187,851,436 |

## Actuarial Accrued Liability

| | October 1, 2007 | Old Plan Provision, Prior Assumptions & Methods October 1, 2008 | Add Senior Managers without Prior Service October 1, 2008 | Include Senior Managers Purchases of Prior Service October 1, 2008 | New Plan Provision, Assumptions & Methods October 1, 2008 |
|---|---|---|---|---|---|
| ***1. Active Members*** | | | | | |
| a. Service Retirement Benefits | $ 71,372,497 | $ 71,620,705 | $ 71,684,966 | $ 72,245,393 | $ 75,213,777 |
| b. Deferred Vested Benefits | 2,522,829 | 2,449,716 | 2,468,315 | 2,482,930 | 1,078,852 |
| c. Death Benefits | 1,469,405 | 1,468,268 | 1,473,552 | 1,496,876 | 1,591,093 |
| d. Disability Benefits | 3,806,628 | 3,810,876 | 3,818,689 | 3,893,724 | 2,153,705 |
| e. Return of Member Contributions | (1,193,271) | (1,202,641) | (1,196,490) | (1,215,398) | (886,549) |
| f. Total Liability | $ 77,978,088 | $ 78,146,924 | $ 78,249,032 | $ 78,903,525 | $ 79,150,878 |
| ***2. Vested Terminated Members*** | $ 3,115,037 | 2,779,355 | 2,779,355 | 2,779,355 | 2,779,355 |
| ***3. Current Retirees and Beneficiaries*** | | | | | |
| a. Retirees and Beneficiaries | $ 48,788,151 | $ 54,198,271 | $ 54,198,271 | $ 54,198,271 | $ 54,198,271 |
| b. Disabled | 3,158,622 | 3,703,373 | 3,703,373 | 3,703,373 | 3,703,373 |
| c. DROP | 10,547,205 | 12,593,238 | 12,593,238 | 12,593,238 | 12,593,238 |
| d. Total Liability | $ 62,493,978 | $ 70,494,882 | $ 70,494,882 | $ 70,494,882 | $ 70,494,882 |
| ***4. All Members*** | $143,587,103 | $ 151,421,161 | $ 151,523,269 | $ 152,177,762 | $ 152,425,115 |

## Normal Cost

| | October 1, 2007 | Old Plan Provision, Prior Assumptions & Methods<br>October 1, 2008 | Add Senior Managers without Prior Service<br>October 1, 2008 | Include Senior Managers Purchases of Prior Service<br>October 1, 2008 | New Plan Provision, Assumptions & Methods<br>October 1, 2008 |
|---|---|---|---|---|---|
| a. Service Retirement Benefits | $ 2,723,577 | $ 2,729,572 | 2,868,923 | 2,855,160 | $ 3,512,056 |
| b. Deferred Vested Benefits | 415,260 | 410,383 | 425,703 | 427,040 | 252,905 |
| c. Death Benefits | 123,052 | 123,882 | 132,381 | 131,997 | 149,129 |
| d. Disability Benefits | 336,123 | 337,409 | 354,521 | 355,704 | 205,383 |
| e. Return of Member Contributions | 330,056 | 343,351 | 341,665 | 342,792 | 219,580 |
| f. Preliminary Normal Cost | $ 3,928,068 | $ 3,944,597 | $ 4,123,193 | $ 4,112,693 | $ 4,339,053 |
| g. Administrative Expense | | | | | |
| Two Years Ago | $ 425,926 | $ 482,702 | $ 482,702 | $ 482,702 | $ 482,702 |
| Prior Year | $ 482,702 | $ 531,899 | $ 531,899 | $ 531,899 | $ 531,899 |
| Average | $ 454,314 | $ 507,301 | $ 507,301 | $ 507,301 | $ 507,301 |
| h. Total Normal Cost | | | | | |
| - Dollars | $ 4,382,382 | $ 4,451,898 | $ 4,630,494 | $ 4,619,994 | $ 4,846,354 |
| - As a percent of payroll | 16.42% | 16.71% | 16.85% | 16.81% | 17.64% |
| i. Expected Member Contribution | $ 2,595,878 | $ 2,597,301 | $ 2,681,328 | $ 2,681,328 | $ 2,681,328 |
| j. Employer Normal Cost | | | | | |
| - Dollars | $ 1,786,504 | $ 1,854,597 | $ 1,949,166 | $ 1,938,666 | $ 2,165,026 |
| - As a percent of payroll | 6.69% | 6.96% | 7.09% | 7.06% | 7.88% |
| Payroll for Non-elected Members | $25,958,779 | $25,973,008 | $26,813,277 | $26,813,277 | $26,813,277 |
| Payroll for Elected Officers | 733,344 | 664,378 | 664,378 | 664,378 | 664,378 |
| Total Payroll | $26,692,123 | $26,637,386 | $27,477,655 | $27,477,655 | $27,477,655 |

## Changes in Normal Cost Rate

| | | |
|---|---|---|
| **As of Prior Valuation** | | **6.69%** |
| | | |
| **Changes in Normal Cost Rate due to:** | | |
| Plan Amendment | 0.13% | |
| Prior Service Purchases | (0.03%) | |
| Assumption Changes | 0.82% | |
| Demographic Experience and Miscellaneous Losses | 0.27% | |
| **Total Changes** | **1.19%** | |
| | | |
| **As of Current Valuation** | | **7.88%** |

# C. Funded Percentage

## Derivation of Funded Percentage

| | September 30, 2007 | September 30, 2008 |
|---|---|---|
| 1. Actuarial Accrued Liability | $ 143,587,103 | $ 152,425,115 |
| 2. Actuarial Value of Assets | (118,772,822) | (124,869,067) |
| 3. Unfunded Actuarial Accrued Liability | $ 24,814,281 | $ 27,556,048 |
| 4. Funded Percentage | 82.7% | 81.9% |

# Changes in Funded Percentage

## Development of Funded Percentage

| | Valuation Date | Liabilities | Assets | Funded Percentage |
|---|---|---|---|---|
| Prior Valuation Report | 10/1/2007 | 143,587,103 | 118,772,822 | 82.7% |
| Expected Results | 10/1/2008 | 152,538,848 | 127,495,149 | 83.6% |
| Actual Assets | 10/1/2008 | 152,538,848 | 124,131,016 | 81.4% |
| Actual Liabilities | 10/1/2008 | 151,421,161 | 124,131,016 | 82.0% |
| Plan Amendment – Senior Managers | 10/1/2008 | 151,523,269 | 124,131,016 | 81.9% |
| Prior Service Purchases | 10/1/2008 | 152,177,762 | 124,504,239 | 81.8% |
| Revised Assumptions and Methods | 10/1/2008 | 152,425,115 | 124,869,067 | 81.9% |

## Changes in Funded Percentage

| | | |
|---|---|---|
| **As of Prior Valuation** | | **82.7%** |
| **Changes in Funded Status due to:** | | |
| Normal Operation of Plan | 0.9% | |
| Investment (Loss) Gain | (2.2%) | |
| Demographic (Loss) Gain | 0.6% | |
| Plan Amendment – Senior Managers | (0.1%) | |
| Prior Service Purchases | (0.1%) | |
| Revised Assumptions and Methods | 0.1% | |
| **Total Changes** | **(0.8%)** | |
| **As of Current Valuation** | | **81.9%** |

## Gains and Loss for the Plan Year Ended September 30, 2008

| | |
|---|---|
| 1. Unfunded Actuarial Accrued Liability - Previous Year | $ 24,814,281 |
| 2. Interest for a full year on (1) | 1,985,142 |
| 3. Total Normal Cost (including Administrative Expenses) - Previous Year | 4,382,382 |
| 4. Interest for a full year on (3) | 350,591 |
| 5. Contributions (All Sources*) - Previous Year | 6,148,562 |
| 6. Interest for a half year on (5) | 245,942 |
| 7. Expected Unfunded Actuarial Liability | $ 25,137,891 |
| 8. Actual Unfunded Actuarial Liability | $ 27,556,048 |
| 9. Allocation of (Gain) Loss for the year | |
| a. (Gain) Loss due to changes in assumptions and methods | |
| i. Assumption and method changes | $ (117,474) |
| ii. Plan changes | 383,377 |
| iii. Total due to changes in plan, assumptions, and methods | $ 265,903 |
| b. (Gain) Loss due to plan experience | |
| i. Due to investment experience | $ 2,836,945 |
| ii. Due to demographic and other experience | (684,691) |
| iii. Total due to plan experience | $ 2,152,254 |
| c. Due to contribution timing | 94,192 |
| d. Total (Gain) Loss to be Amortized | $ 2,512,350 |

The Plan provides for a "fixed" 2% COLA each year and a "variable" 1% COLA if certain conditions are met. If there is either a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA, the adjustment will be granted in that year, as long as the Present Value of the additional COLA is not more than the cumulative gains that occurred since the inception of the COLA. Since there was a net experience loss for the year and a required City contribution is due, no variable COLA will be paid this year.

* Excludes contributions from Senior Managers related to purchases of prior service.

## Cumulative Gains and Losses Since October 1, 1999

The variable COLA is limited under the Florida Administrative Code so they are no more than the cumulative actuarial gains (if any) that have occurred since the inception of the program. The cumulative gains (or losses) since the variable COLA was adopted are developed in the table below.

| Yr End 9/30 | Balance BOY | Amortization | Interest | Gain (Loss) for Year | PV of Variable Benefit | Balance EOY |
|---|---|---|---|---|---|---|
| 1999 | $ 0 | $ 0 | $ 0 | $ 4,863,161 | $ 0 | $ 4,863,161 |
| 2000 | 4,863,161 | 312,881 | 569,080 | 1,480,206 | 226,471 | 6,373,095 |
| 2001 | 6,373,095 | 414,538 | 477,419 | (7,815,513) | 280,869 | (1,660,406) |
| 2002 | (1,660,406) | (98,302) | (132,779) | (9,987,004) | 0 | (11,681,887) |
| 2003 | (11,681,887) | (694,616) | (878,982) | (4,483,179) | 0 | (16,349,432) |
| 2004 | (16,349,432) | (1,018,955) | (1,226,438) | (4,956,483) | 0 | (21,513,398) |
| 2005 | (21,513,398) | (1,356,434) | (1,612,557) | (6,499,426) | 0 | (28,268,947) |
| 2006 | (28,268,947) | (1,726,519) | (2,123,394) | 3,577,856 | 0 | (25,087,966) |
| 2007 | (25,087,966) | (1,536,727) | (1,884,098) | (343,924) | 0 | (25,779,261) |
| 2008 | (25,779,261) | (1,773,363) | (1,920,472) | (2,152,254) | 0 | (28,078,626) |

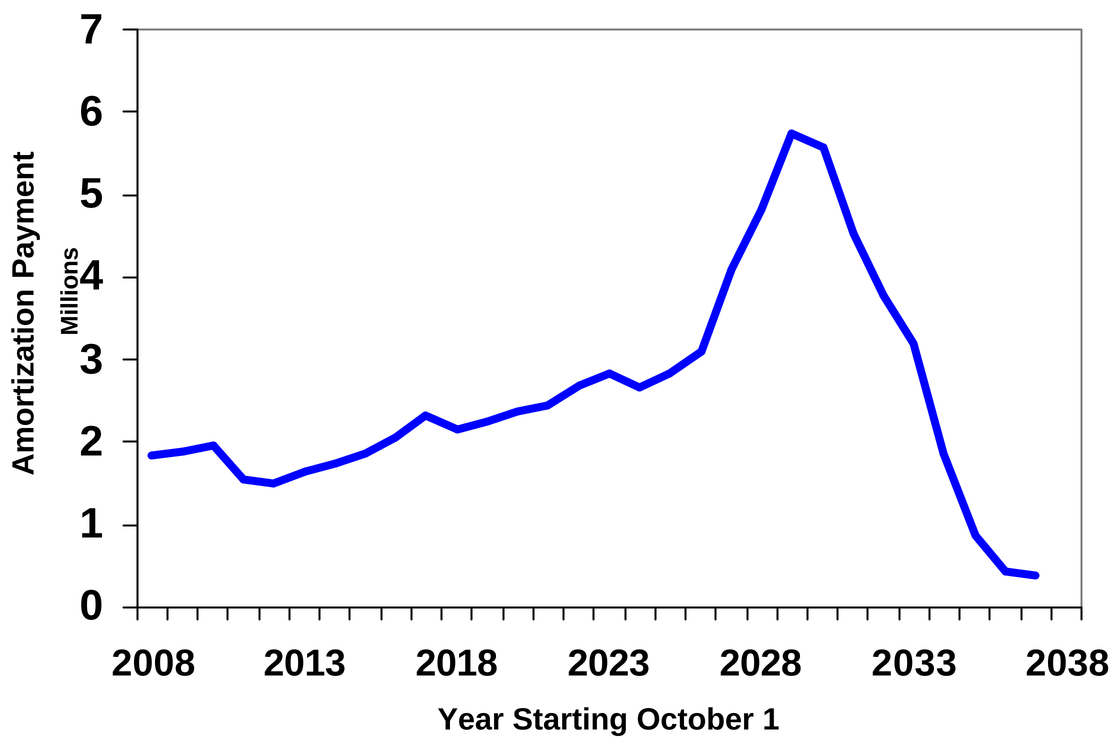
Note: Interest adjustments and amortization charges for plan years ending prior to 2002 are estimated from reports prepared by the prior actuary.

## Projected Amortization Schedule

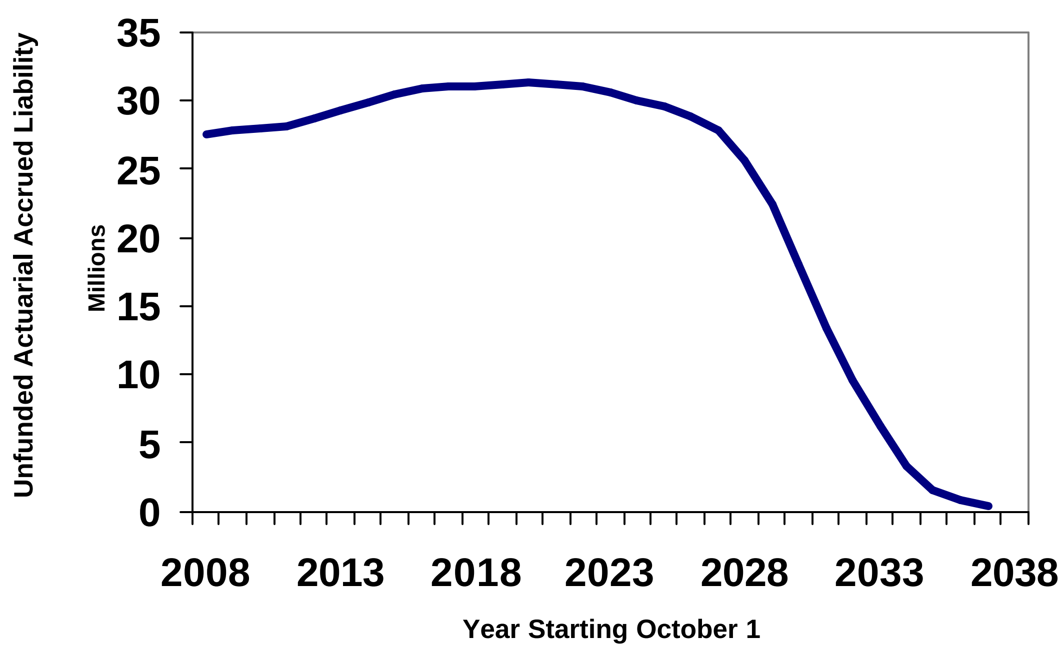
| Plan Year Beginning October 1 | Unfunded Actuarial Accrued Liability | Amortization Payment |
|---|---|---|
| 2008 | 27,556,048 | 1,827,738 |
| 2009 | 27,786,579 | 1,891,710 |
| 2010 | 27,966,458 | 1,957,920 |
| 2011 | 28,089,221 | 1,548,531 |
| 2012 | 28,663,945 | 1,492,818 |
| 2013 | 29,344,816 | 1,646,296 |
| 2014 | 29,914,402 | 1,742,401 |
| 2015 | 30,425,762 | 1,866,887 |
| 2016 | 30,843,584 | 2,065,537 |
| 2017 | 31,080,291 | 2,333,073 |
| 2018 | 31,046,996 | 2,158,988 |
| 2019 | 31,199,049 | 2,257,032 |
| 2020 | 31,257,378 | 2,377,437 |
| 2021 | 31,190,336 | 2,435,621 |
| 2022 | 31,055,092 | 2,690,520 |
| 2023 | 30,633,738 | 2,829,640 |
| 2024 | 30,028,426 | 2,673,220 |
| 2025 | 29,543,623 | 2,841,583 |
| 2026 | 28,838,203 | 3,107,497 |
| 2027 | 27,789,162 | 4,091,166 |
| 2028 | 25,593,835 | 4,822,590 |
| 2029 | 22,432,945 | 5,751,402 |
| 2030 | 18,016,066 | 5,570,270 |
| 2031 | 13,441,460 | 4,520,753 |
| 2032 | 9,634,364 | 3,786,789 |
| 2033 | 6,315,380 | 3,201,092 |
| 2034 | 3,363,431 | 1,864,843 |
| 2035 | 1,618,476 | 878,834 |
| 2036 | 798,813 | 434,278 |
| 2037 | 393,697 | 393,697 |
| 2038 | - | - |

This schedule has been developed by projecting that all assumptions will be met in all future years, and that no additional Unfunded Actuarial Accrued Liability will be created by any other means (i.e., plan amendment or assumption change).

## Projected Amortization Payments




## Projected Unfunded Actuarial Accrued Liability



# D. Employer Contribution Rates

## Beginning October 1, 2009

| | | |
|---|---|---|
| 1. | Total Employer Normal Cost | $ 2,165,026 |
| 2. | Amortization of Unfunded Actuarial Liability | 1,827,738 |
| 3. | Total Minimum Contribution as of 10/1/2008 (1. + 2.) | $ 3,992,764 |
| 4. | Interest for Quarterly Payments (3. x (1.08^(5/8) – 1)) | 196,748 |
| 5. | Total Minimum Contribution (paid quarterly) (3. + 4.) | $ 4,189,512 |
| 6. | Covered Payroll as of Valuation Date | $ 27,477,655 |
| 7. | Required Contribution Rate (6. / 5.) | 15.25% |
| 8. | Covered Payroll for Contribution Year (6. x 1.035) | $ 28,439,373 |
| 9. | Required Employer Contributions for FY 2009/2010 (7. x 8.) | $ 4,337,004 |

# E. Summary of Major Plan Provisions

| | |
|---|---|
| ***Effective Date:*** | December 8, 1972. |
| ***Eligibility:*** | Regular full-time employment with the City (at least 26 hours per week and 5 months per year), including Elected Officials, Appointees, and Senior Managers. This is a change from the prior valuation when Senior Managers were excluded from the Plan. |
| ***Earnings:*** | Basic compensation and regular longevity pay, increased for temporary upgrade pay. Lump sum payment at termination for unused sick leave and vacation time is not included. |
| ***Average Monthly Earnings (AME):*** | Monthly average for the highest completed 78 bi-weekly pay periods during employment times 1.0048. |
| ***Credited Service:*** | Total years and completed months of service from the last date of hire to the date of termination, retirement, death, or disability. |

## Normal Retirement

| | |
|---|---|
| ***Eligibility (Normal Retirement Date):*** | The earlier of attainment of age 55 with 20 years of Continuous Service, or age 62 with 3 years of Credited Service as a "regular employee" with the City. |
| ***Benefit:*** | 2.75% of AME times years of service. |
| ***Maximum Benefit:*** | $90,000 per year (indexed) at age 62, or 100% of AME (such earnings to exclude picked-up employee contributions per Sec. 414(h)(2), deferred compensation per Sec. 457, and amounts deferred under Sec. 125). |
| ***Normal Form of Benefit:*** | Life annuity to the member. |
| ***COLA:*** | Paid annually, on October 1 for retired members (or their beneficiaries) who have been retired for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA. |

## Early Retirement

| | |
|---|---|
| ***Eligibility:*** | The attainment of 20 years of Credited Service. |
| ***Benefit:*** | 2.75% of AME times years of service, reduced actuarially to take into account the participant's younger age at retirement and the earlier commencement of benefits.<br><br>For any current general employee with 18 or more combined years of service with the City as of May 1, 1984, as a general employee, police officer, or firefighter, whose position was eliminated, the accrued pension will not be actuarially reduced. |
| ***Normal Form of Benefit:*** | Life annuity to the member. |
| ***COLA:*** | Paid annually, on October 1 for retired members (or their beneficiaries) who have been retired for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA. |

## Delayed Retirement

| | |
|---|---|
| ***Benefit:*** | 2.75% of AME times years of service at the actual retirement date. |
| ***Normal Form of Benefit:*** | Life annuity to the member. |
| ***COLA:*** | Paid annually, on October 1 for retired members (or their beneficiaries) who have been retired for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA. |

## DROP Retirement

| | |
|---|---|
| ***Eligibility:*** | The earlier of attainment of age 55 with 20 years of Continuous Service, or age 62 with 3 years of Credited Service as a "regular employee" with the City. |
| ***Benefit:*** | 2.75% of AME times years of service as of the DROP entry date. |
| ***Normal Form of Benefit:*** | Life annuity to the member. |
| ***COLA:*** | Same as Normal Retirement, except that the COLA is first credited and paid on the October 1 following the first anniversary of the date the Member leaves employment (exits DROP). |
| ***DROP Period:*** | The Member may remain in the DROP for any period up to five years. |
| ***Contributions:*** | Member contributions cease when Member enters DROP. |
| ***DROP Interest:*** | DROP account balances are credited at the beginning of each month with interest at 1/12$^{th}$ the rate assumed in the actuarial valuation for that year. |

## Disability Retirement – Service Incurred

| | |
|---|---|
| ***Eligibility:*** | Members are immediately eligible for a Disability Retirement Benefit where the Disability results from an act occurring in the performance of service with the City of Pompano Beach.<br><br>Disability Retirement eligibility is forfeited upon entry into the DROP. |
| ***Disability Definition:*** | Total and permanent disablement and unable to earn at least 75% of regular earnings. A member who is eligible for full primary Social Security old age benefits is not eligible. |
| ***Benefit:*** | 60% of Earnings. |
| ***Normal Form of*** | Life annuity to the member. |

***Benefit:***

***COLA:*** Paid annually, on October 1 for retired members (or their beneficiaries) who have been retired for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA.

## Disability Retirement – Non-Service Incurred

***Eligibility:*** Total and permanent disablement, 10 years of service, and unable to be gainfully employed. A member who is eligible for full primary Social Security old age benefits is not eligible.

Disability Retirement eligibility is forfeited upon entry into the DROP.

***Benefit:*** Accrued pension, subject to a minimum of 25% of Earnings.

***Normal Form of Benefit:*** Life annuity to the member.

***COLA:*** Paid annually, on October 1 for retired members (or their beneficiaries) who have been retired for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA.

## Pre-Retirement Death Benefit - Basic

***Benefit:*** 1 times annual earnings (payable in monthly installments over four years) plus a refund of contributions with interest. Alternatively, for members eligible for Early or Normal Retirement, or who have a vested benefit whether still actively employed by the City or not, the pension is payable to the beneficiary for 10 years as though retirement occurred on the date of death under Option 2, Ten Year Certain and Life (no reduction for early retirement if death occurs prior to normal retirement).

| | |
|---|---|
| ***COLA:*** | Paid annually, on October 1 for beneficiaries who have been receiving payments for at least one year. Increase is 2%. An additional 1% will be payable if either there is a net experience gain for the year, or the City cost for the year is zero after payment of the variable COLA. |

## Withdrawal – Non-Vested

| | |
|---|---|
| ***Eligibility:*** | First day of work, up to the earlier of 10 years of City service or 5 years of Senior Management Service for regular employees only. |
| ***Benefit:*** | Accumulated contributions with 3% interest. |
| ***Form of Benefit:*** | Lump sum. |

## Withdrawal – Vested

| | |
|---|---|
| ***Eligibility:*** | Regular employees – at least 10 years of service.<br><br>Senior Managers – earlier of 10 years of City service and 5 years of Senior Management Service.<br><br>Elected Officials and Appointees – at least 5 years of service. |
| ***Benefit:*** | A vested benefit deferred to regular normal retirement date. Alternatively, a regular employee or Senior Management participant may withdraw the accumulated contributions and forfeit the deferred vested benefit. |

## Member Contributions

| | |
|---|---|
| ***Contributions:*** | Regular Employees and Senior Managers –10.0% of earnings.<br><br>Elected Officials and Appointees – No member contributions. However, the City will make contributions at the same rate that applies to Regular Employees on behalf of these participants. These contributions are not eligible for refund upon termination. |
| ***Interest Crediting Rate:*** | 3% per year. |

## Optional Forms of Payment

| | |
|---|---|
| ***Option 1:*** | Joint and last survivor option. |
| ***Option 2:*** | Ten-Year Certain and Life option. |

## Additional Provisions

| | |
|---|---|
| ***Reentry Provision:*** | Credit for prior service is granted in full upon repayment of all monies refunded to the member with interest at the assumed interest rate for actuarial purposes. |
| ***Second Retirement Provision:*** | Members may retire and return to work as a regular employee. Prior pension payments are continued during the period of reemployment. A second benefit is earned based solely on the second period of employment, provided the employee worked at least three years during the second period of employment. |

# F. Summary of Actuarial Assumptions and Funding Methods

This actuarial valuation report has been prepared in accordance with generally accepted actuarial principles and practices. The major assumptions and methods used in this valuation are as follows:

## Economic Assumptions

***Interest:*** 8.0% per year

***Salary Increase – Individual:*** Rates varying by service, as follows: 7.5% per year for service up to 10 years, 4.25% per year if service is greater than 10 years.

This is a change from the prior rates of: 11.0% per year for service up to four years, 5.75% per year for the next thirteen years of service, and 4.0% per year if service is greater than seventeen years.

***Salary Increase – Total Payroll:*** 3.5 % per year (The lesser of 3.5% per year and the average annual growth of total payroll for the prior ten years).

***Inflation:*** 3.5% per year.

***Administrative Expenses:*** Expenses paid out of the fund, other than investment-related expenses, are assumed to be equal to the average of actual expenses over the previous two years.

## Demographic Assumptions

***Post-retirement mortality:***

- ***Service Retirement:*** 1983 Group Annuity Mortality for males and females. Life expectancies are shown in Schedule 1.
- ***Disability Retirement:*** 1983 Group Annuity Mortality set forward for five years for both males and females. Life expectancies are shown in Schedule 1.
- ***Spouse:*** 1983 Group Annuity Mortality for males and females. Life expectancies are shown in Schedule 1.

***Vested Termination:***

Rates varying by age and service. Employees who are not vested are assumed to take a refund of their contributions. Employees who terminate after they are vested are assumed to defer their benefit to member's normal retirement date.

October 1, 2007 Valuation Results: Rates are shown in Schedule 2.

October 1, 2008 Valuation Results: For employees with less than four years of service, termination rates are shown in the table below.

| Years of Service | Probability of Termination |
|---|---|
| 0-1 | 18% |
| 1-2 | 12% |
| 2-3 | 10% |
| 3-4 | 7% |

For employees with four or more years of service, rates are shown in Schedule 2.

***Pre-retirement mortality:*** 1983 Group Annuity Mortality for males and females.

***Disability:*** Rates varying by age. New rates take effect with this valuation. Rates are shown in Schedule 2.

***Percentage of Service and Non-Service Disability:*** Service connected – 20%, Non-service connected – 80%.

***Service Retirement:*** Rates varying by age. New rates take effect with this valuation. Rates are shown in Schedule 3.

***DROP Entry:***

October 1, 2007 Valuation Results: Of those assumed to retire using the Service Retirement rates, 50% are assumed to retire immediately and 50% are assumed to enter DROP.

October 1, 2008 Valuation Results: Of those assumed to retire using the Service Retirement rates, the proportion entering DROP is as shown in the following table.

| Age at Retirement | Proportion Entering DROP |
|---|---|
| Under 55 | 0% |
| 55-62 | 70% |
| Over 62 | 10% |

***DROP Period:*** DROP Participants are assumed to remain in the DROP for a total of five years.

***Cost of Living Adjustment:*** 2.0% per year after retirement or DROP exit.

***Percentage Married at Retirement:*** 100% of active members assumed married at retirement.

***Spouse Ages*** For active members reaching retirement, wives are assumed to be three years younger than husbands.

## Actuarial Methods

***Funding Method:*** Entry Age

***Amortization Period:*** New Unfunded Actuarial Accrued Liability resulting from plan amendments, changes in assumptions or methods, or actuarial gains and loss are amortized over 30 years as a level percentage of expected payroll based on the plan's assumed rate of investment return.

***Actuarial Value of Assets:*** The market value of assets is adjusted to recognize, over a five-year period, investment earnings greater than (or less than) the assumed investment return. The resulting Actuarial Value of Assets is limited to no more than 120% of the market value of assets and no less than 80% of the market value of assets. Details are shown in the Asset Information Section of the report.

***BSO Required Contribution:*** The required contribution for the Broward Sheriff's Office (BSO) is determined by multiplying the total required contribution rate as a percentage of payroll by the payroll for BSO employees, projected to the following year.

## Data Sources

| | |
|---|---|
| ***Asset Data:*** | The asset information is taken directly from audited statements furnished by the Retirement Office. |
| ***Member Data:*** | The member data is supplied by the Retirement Office. It is reviewed for reasonableness and consistency, but no audit was performed. Public Pension Professionals is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. |

Schedule 1

## Life Expectancies at Sample Ages

## Retirees and Beneficiaries

| Age | Male | Female | Age | Male | Female |
|---|---|---|---|---|---|
| 20 | 57.90 | 64.19 | 70 | 13.22 | 17.17 |
| 21 | 56.93 | 63.20 | 71 | 12.58 | 16.38 |
| 22 | 55.95 | 62.21 | 72 | 11.96 | 15.61 |
| 23 | 54.97 | 61.23 | 73 | 11.35 | 14.85 |
| 24 | 53.99 | 60.24 | 74 | 10.77 | 14.12 |
| 25 | 53.02 | 59.25 | 75 | 10.20 | 13.42 |
| 26 | 52.04 | 58.27 | 76 | 9.65 | 12.73 |
| 27 | 51.07 | 57.28 | 77 | 9.12 | 12.07 |
| 28 | 50.09 | 56.30 | 78 | 8.62 | 11.44 |
| 29 | 49.12 | 55.32 | 79 | 8.14 | 10.83 |
| 30 | 48.15 | 54.34 | 80 | 7.68 | 10.24 |
| 31 | 47.18 | 53.35 | 81 | 7.26 | 9.68 |
| 32 | 46.21 | 52.37 | 82 | 6.85 | 9.13 |
| 33 | 45.24 | 51.39 | 83 | 6.47 | 8.61 |
| 34 | 44.27 | 50.41 | 84 | 6.11 | 8.11 |
| 35 | 43.31 | 49.44 | 85 | 5.77 | 7.62 |
| 36 | 42.34 | 48.46 | 86 | 5.45 | 7.16 |
| 37 | 41.38 | 47.48 | 87 | 5.15 | 6.70 |
| 38 | 40.42 | 46.51 | 88 | 4.86 | 6.27 |
| 39 | 39.46 | 45.53 | 89 | 4.58 | 5.85 |
| 40 | 38.50 | 44.56 | 90 | 4.32 | 5.45 |
| 41 | 37.55 | 43.59 | 91 | 4.08 | 5.06 |
| 42 | 36.60 | 42.62 | 92 | 3.84 | 4.70 |
| 43 | 35.66 | 41.66 | 93 | 3.62 | 4.35 |
| 44 | 34.72 | 40.69 | 94 | 3.41 | 4.02 |
| 45 | 33.78 | 39.73 | 95 | 3.20 | 3.71 |
| 46 | 32.86 | 38.77 | 96 | 3.02 | 3.41 |
| 47 | 31.94 | 37.81 | 97 | 2.84 | 3.14 |
| 48 | 31.02 | 36.86 | 98 | 2.66 | 2.88 |
| 49 | 30.12 | 35.91 | 99 | 2.49 | 2.64 |
| 50 | 29.23 | 34.96 | 100 | 2.32 | 2.40 |
| 51 | 28.34 | 34.02 | 101 | 2.15 | 2.18 |
| 52 | 27.46 | 33.08 | 102 | 1.99 | 1.98 |
| 53 | 26.59 | 32.14 | 103 | 1.82 | 1.78 |
| 54 | 25.72 | 31.21 | 104 | 1.65 | 1.59 |
| 55 | 24.87 | 30.28 | 105 | 1.47 | 1.41 |
| 56 | 24.02 | 29.35 | 106 | 1.30 | 1.24 |
| 57 | 23.17 | 28.43 | 107 | 1.13 | 1.07 |
| 58 | 22.34 | 27.52 | 108 | 0.96 | 0.91 |
| 59 | 21.51 | 26.61 | 109 | 0.78 | 0.75 |
| 60 | 20.68 | 25.71 | 110 | 0.54 | 0.54 |
| 61 | 19.87 | 24.82 | 111 | 0.54 | 0.54 |
| 62 | 19.07 | 23.94 | 112 | 0.54 | 0.54 |
| 63 | 18.27 | 23.06 | 113 | 0.54 | 0.54 |
| 64 | 17.50 | 22.19 | 114 | 0.54 | 0.54 |
| 65 | 16.73 | 21.33 | 115 | 0.54 | 0.54 |
| 66 | 15.99 | 20.48 | 116 | 0.54 | 0.54 |
| 67 | 15.27 | 19.63 | 117 | 0.54 | 0.54 |
| 68 | 14.56 | 18.80 | 118 | 0.54 | 0.54 |
| 69 | 13.88 | 17.98 | 119 | 0.54 | 0.54 |

Retirees and Beneficiaries – 1983 Group Annuity Mortality for males and females.

Disabled Retirees – same as for retirees, except assume the person is five years older.

Schedule 2

# Probability of Leaving Active Service Prior to Retirement

## (Number separating at each age per 10,000 working at that age)

| | Disability | | Termination | |
|---|---|---|---|---|
| **Age** | **10/1/2007 Valuation** | **10/1/2008 Valuation** | **10/1/2007 Valuation** | **10/1/2008 Valuation*** |
| 20 | 5 | 3 | 2,380 | 1,071 |
| 21 | 5 | 3 | 2,240 | 1,008 |
| 22 | 5 | 3 | 2,100 | 945 |
| 23 | 5 | 3 | 1,960 | 882 |
| 24 | 5 | 3 | 1,820 | 819 |
| 25 | 5 | 3 | 1,680 | 756 |
| 26 | 6 | 3 | 1,540 | 693 |
| 27 | 6 | 3 | 1,400 | 630 |
| 28 | 6 | 3 | 1,330 | 599 |
| 29 | 6 | 3 | 1,260 | 567 |
| 30 | 6 | 3 | 1,190 | 536 |
| 31 | 6 | 3 | 1,120 | 504 |
| 32 | 6 | 3 | 1,050 | 473 |
| 33 | 7 | 3 | 1,008 | 454 |
| 34 | 7 | 3 | 966 | 435 |
| 35 | 7 | 3 | 924 | 416 |
| 36 | 7 | 4 | 882 | 397 |
| 37 | 7 | 4 | 840 | 378 |
| 38 | 8 | 4 | 798 | 359 |
| 39 | 10 | 5 | 756 | 340 |
| 40 | 12 | 6 | 714 | 321 |
| 41 | 14 | 7 | 672 | 302 |
| 42 | 16 | 8 | 630 | 284 |
| 43 | 17 | 9 | 588 | 265 |
| 44 | 20 | 10 | 546 | 246 |
| 45 | 22 | 11 | 504 | 227 |
| 46 | 25 | 12 | 462 | 208 |
| 47 | 28 | 14 | 420 | 189 |
| 48 | 32 | 16 | 378 | 170 |
| 49 | 37 | 19 | 336 | 151 |
| 50 | 43 | 21 | 294 | 132 |
| 51 | 50 | 25 | 252 | 113 |
| 52 | 58 | 29 | 210 | 95 |
| 53 | 67 | 34 | 168 | 76 |
| 54 | 78 | 39 | 126 | 57 |
| 55 | 89 | 45 | 84 | 38 |
| 56 | 101 | 50 | 42 | 19 |
| 57 | 113 | 57 | 0 | 0 |
| 58 | 126 | 63 | 0 | 0 |
| 59 | 140 | 70 | 0 | 0 |
| 60 | 161 | 81 | 0 | 0 |
| 61 | 186 | 93 | 0 | 0 |
| 62 | 213 | 107 | 0 | 0 |
| 63 | 245 | 122 | 0 | 0 |
| 64 | 280 | 140 | 0 | 0 |
| 65 | 0 | 0 | 0 | 0 |
| 66 | 0 | 0 | 0 | 0 |
| 67 | 0 | 0 | 0 | 0 |
| 68 | 0 | 0 | 0 | 0 |
| 69 | 0 | 0 | 0 | 0 |
| 70 | 0 | 0 | 0 | 0 |

* Termination rates after four years of service. Select rates apply prior to four years of service.

Schedule 3

# Probability of Retirement

## (Number separating at each age per 10,000 working at that age)

| Age | 10/1/2007 Valuation | 10/1/2008 Valuation |
|---|---|---|
| 45 | 700 | 700 |
| 46 | 700 | 700 |
| 47 | 700 | 700 |
| 48 | 700 | 700 |
| 49 | 700 | 700 |
| 50 | 700 | 700 |
| 51 | 700 | 700 |
| 52 | 700 | 700 |
| 53 | 700 | 700 |
| 54 | 700 | 700 |
| 55 | 4,000 | 5,000 |
| 56 | 4,000 | 3,000 |
| 57 | 4,000 | 3,000 |
| 58 | 4,000 | 3,000 |
| 59 | 4,000 | 3,000 |
| 60 | 5,000 | 3,000 |
| 61 | 5,000 | 5,000 |
| 62 | 5,000 | 5,000 |
| 63 | 3,000 | 5,000 |
| 64 | 3,000 | 5,000 |
| 65 | 3,000 | 5,000 |
| 66 | 3,000 | 3,000 |
| 67 | 3,000 | 3,000 |
| 68 | 3,000 | 3,000 |
| 69 | 3,000 | 3,000 |
| 70 | 10,000 | 10,000 |

# G. Member Information

## Active Participants

| | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| **City and BSO Employees** | | |
| Number | 493 | 494 |
| Average Age | 44.8 | 45.0 |
| Average Service | 10.7 | 10.2 |
| Percent Male | 67% | 68% |
| Average Annual Pay | $ 51,074 | $ 51,163 |
| Total Covered Payroll | $25,179,315* | $25,274,499** |
| Total Valuation Payroll | $25,179,315 | $25,274,499 |
| **Elected and Appointed Officials** | | |
| Number | 10 | 8 |
| Average Age | 59.0 | 58.5 |
| Average Service | 10.4 | 9.8 |
| Percent Male | 60% | 63% |
| Average Annual Pay | $ 76,431 | $ 86,988 |
| Total Covered Payroll | $ 764,314 | $ 695,900 |
| Total Valuation Payroll | $ 733,344 | $ 664,378 |
| **Senior Managers** | | |
| Number | 9 | 16 |
| Average Age | 50.4 | 49.7 |
| Average Service | 10.9 | 7.4 |
| Percent Male | 67% | 63% |
| Average Annual Pay | $ 97,949 | $ 102,546 |
| Total Covered Payroll | $ 881,539 | $ 1,640,733 |
| Total Valuation Payroll | $ 779,463 | $ 1,538,778 |

| | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| **Total** | | |
| Number | 512 | 518 |
| Average Age | 45.2 | 45.3 |
| Average Service | 10.7 | 10.1 |
| Percent Male | 67% | 67% |
| Average Annual Pay | $ 52,393 | $ 53,303 |
| Total Covered Payroll | $26,825,168 | $27,611,132 |
| Total Valuation Payroll | $26,692,123 | $27,477,655 |

* BSO Payroll for October 1, 2007 is $2,100,949
** BSO Payroll for October 1, 2008 is $2,012,715

## Terminated Vested Participants

| | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 20 | 20 |
| Average Age | 48.0 | 48.7 |
| Percent Male | 60% | 55% |
| Average Monthly Benefit | $ 1,551 | $ 1,395 |

## DROP Participants

| | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 21 | 23 |
| Average Age | 60.6 | 60.7 |
| Percent Male | 81% | 70% |
| Average Monthly Benefit | $ 2,862 | $ 3,275 |
| DROP Account Balances | $ 1,614,338 | $ 1,458,826 |

## Participants Receiving Payments

| ***Service Retirements*** | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 218 | 228 |
| Average Age | 71.2 | 71.2 |
| Percent Male | 65% | 66% |
| Average Monthly Benefit | $ 1,656 | $ 1,769 |

| ***Beneficiaries*** | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 38 | 38 |
| Average Age | 71.1 | 66.6 |
| Percent Male | 13% | 16% |
| Average Monthly Benefit | $ 914 | $ 949 |

| ***Disabled*** | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 15 | 16 |
| Average Age | 61.3 | 61.8 |
| Percent Male | 86% | 88% |
| Average Monthly Benefit | $ 1,465 | $ 1,595 |

| ***Total*** | ***October 1, 2007*** | ***October 1, 2008*** |
|---|---|---|
| Number | 271 | 282 |
| Average Age | 70.7 | 70.0 |
| Percent Male | 59% | 61% |
| Average Monthly Benefit | $ 1,541 | $ 1,648 |

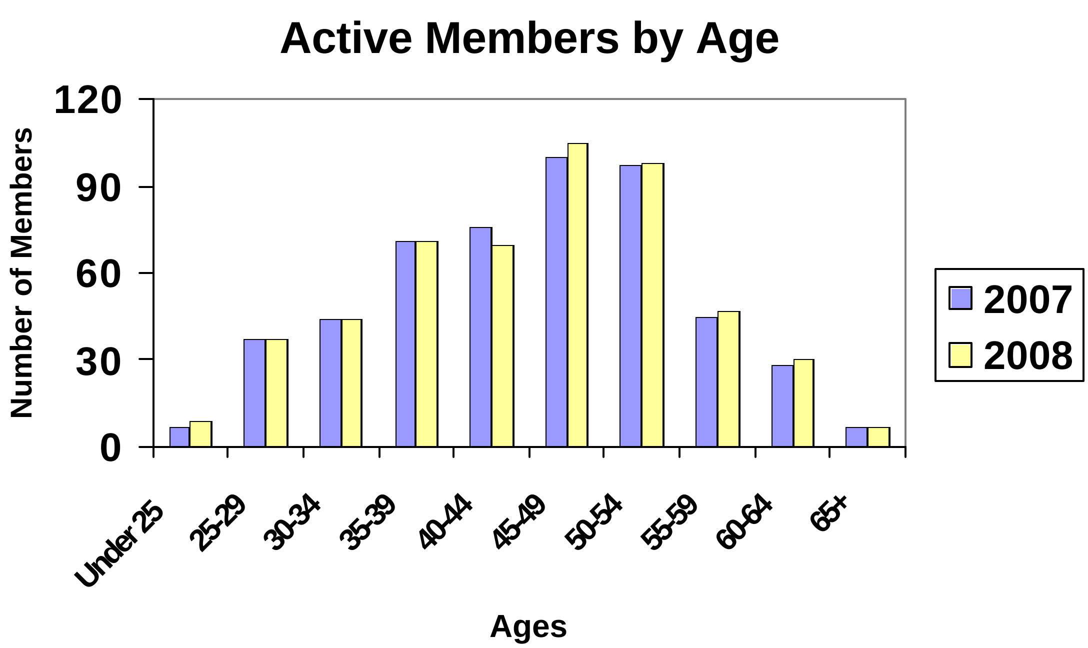
## Reconciliation of Participants

### For the Plan Year Ended September 30, 2008

| | Actives | Terminated Vested | DROP | Retiree | Beneficiary | Disabled | Total |
|---|---|---|---|---|---|---|---|
| **As of September 30, 2007** | **512** | **20** | **21** | **218** | **38** | **15** | **824** |
| New Hires | 40 | - | - | - | - | - | 40 |
| Re-hires | 1 | - | - | - | - | - | 1 |
| Terminated Nonvested – Refunded | (15) | - | - | - | - | - | (15) |
| Vested Terminations - Refunded | - | - | - | - | - | - | - |
| Vested Terminations With Deferred Benefit Payable | (2) | 2 | - | - | - | - | - |
| Service Retirements | (6) | (2) | (7) | 15 | - | - | - |
| Disability Retirements | (1) | - | - | - | - | 1 | - |
| DROP Entries | (9) | - | 9 | - | - | - | - |
| Deaths with Beneficiary | (2) | - | - | - | 2 | - | - |
| Deaths | - | - | - | (5) | (3) | - | (8) |
| Payments Ceased | - | - | - | - | (1) | - | (1) |
| Additional New Beneficiaries | - | - | - | - | 2 | - | 2 |
| **As of September 30, 2008** | **518** | **20** | **23** | **228** | **38** | **16** | **843** |

## Active Members
## by Age and Service as of October 1, 2008

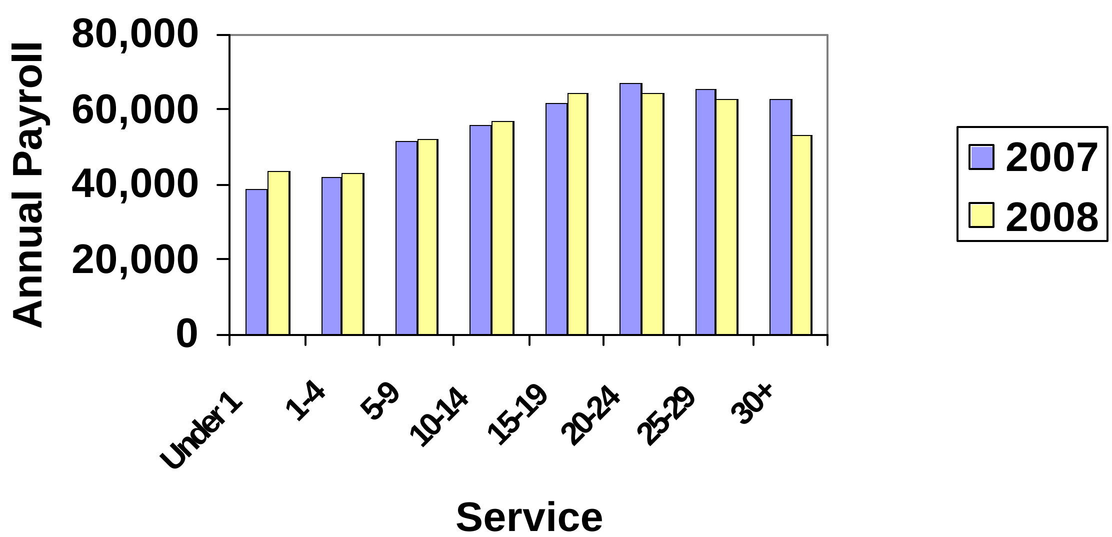
| ***Service >>*** <br> ***Age*** | **Under 1** | **1-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **Under 25** | 7 | 2 | - | - | - | - | - | - | **9** |
| **25-29** | 7 | 23 | 7 | - | - | - | - | - | **37** |
| **30-34** | 3 | 19 | 18 | 4 | - | - | - | - | **44** |
| **35-39** | 3 | 23 | 27 | 12 | 6 | - | - | - | **71** |
| **40-44** | 8 | 15 | 15 | 9 | 8 | 15 | - | - | **70** |
| **45-49** | 2 | 21 | 21 | 15 | 16 | 16 | 13 | 1 | **105** |
| **50-54** | 5 | 9 | 16 | 17 | 18 | 16 | 12 | 5 | **98** |
| **55-59** | 1 | 15 | 9 | 5 | 12 | 4 | 1 | - | **47** |
| **60-64** | - | 10 | 6 | 4 | 9 | 1 | - | - | **30** |
| **65-69** | - | - | 2 | - | 1 | 2 | - | - | **5** |
| **70 +** | - | - | 2 | - | - | - | - | - | **2** |
| **Total** | **36** | **137** | **123** | **66** | **70** | **54** | **26** | **6** | **518** |



## Average Annual Compensation for Active Members in Dollars by Age and Service as of October 1, 2008

| ***Service*** >> | **Under 1** | **1-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| ***Age*** | | | | | | | | | |
| **Under 25** | 32,141 | 33,713 | - | - | - | - | - | - | **32,491** |
| **25-29** | 33,383 | 35,386 | 41,376 | - | - | - | - | - | **36,140** |
| **30-34** | 44,901 | 36,461 | 47,634 | 53,925 | - | - | - | - | **43,195** |
| **35-39** | 58,948 | 43,478 | 50,996 | 54,130 | 54,962 | - | - | - | **49,761** |
| **40-44** | 41,942 | 41,000 | 49,780 | 54,253 | 56,140 | 59,696 | - | - | **50,430** |
| **45-49** | 44,454 | 37,777 | 51,474 | 65,144 | 65,426 | 65,257 | 62,597 | 67,716 | **56,312** |
| **50-54** | 67,224 | 66,208 | 62,334 | 56,832 | 65,367 | 63,608 | 63,107 | 62,372 | **62,846** |
| **55-59** | 36,257 | 57,541 | 57,331 | 43,736 | 61,343 | 84,973 | 62,012 | - | **58,980** |
| **60-64** | - | 45,299 | 53,289 | 59,841 | 78,642 | 56,823 | - | - | **59,223** |
| **65-69** | - | - | 44,072 | - | 48,589 | 63,588 | - | - | **52,782** |
| **70 +** | - | - | 66,739 | - | - | - | - | - | **66,739** |
| **Total** | **43,528** | **43,024** | **52,083** | **56,893** | **64,211** | **64,466** | **62,810** | **52,907** | **53,303** |

## Active Member Pay by Service



# H. State Required Exhibits

| | | 10/1/2007 | 10/1/2008 |
|---|---|---|---|
| **Participant Data** | | | |
| a. | Active Participants | 512 | 518 |
| b. | Retired participants and beneficiaries | 256 | 266 |
| c. | Disabled participants receiving benefits | 15 | 16 |
| d. | DROP participants | 21 | 23 |
| e. | Terminated vested participants | 20 | 20 |
| f. | Annual payroll of active participants | $26,692,123 | $27,477,655 |
| g. | Annual benefits payable to those currently receiving benefits | $4,989,476 | $5,565,608 |
| **Assets at Actuarial Value** | | | |
| 1. | Actuarial Value | 118,772,822 | 124,869,067 |
| 2. | Market Value | 126,522,229 | 106,187,212 |
| **Liabilities** | | | |
| 1. | Actuarial present value of future expected benefit payments for active members | | |
| a) | Retirement benefits | $91,760,674 | $103,779,756 |
| b) | Vesting benefits | 5,558,112 | 3,258,610 |
| c) | Death benefits | 2,412,518 | 2,818,398 |
| d) | Disability benefits | 6,367,163 | 3,816,699 |
| e) | Return of Member Contributions | 1,229,513 | 903,736 |
| f) | Total benefits | $107,327,980 | $114,577,199 |
| 2. | Actuarial present value of future expected benefit payments for terminated vested members | $3,115,037 | $2,779,355 |
| 3. | Actuarial present value of future expected benefit payments for those receiving benefits | | |
| a) | Retirees and Beneficiaries | $48,788,151 | $54,198,271 |
| b) | Disability retired | 3,158,622 | 3,703,373 |
| c) | DROP Participants | 10,547,205 | 12,593,238 |
| d) | Total | $62,493,978 | $70,494,882 |
| 4. | Total actuarial present value of future expected benefit payments | $172,936,995 | $187,851,436 |

| | | 10/1/2007 | 10/1/2008 |
|---|---|---|---|
| 5. | Actuarial accrued liabilities | $143,587,103 | $152,425,115 |
| 6. | Unfunded actuarial accrued liabilities | 24,814,281 | 27,556,048 |

## Statement of Accumulated Plan Benefits

| | | | 10/1/2007 | 10/1/2008 |
|---|---|---|---|---|
| 1. | Actuarial present value of accumulated vested plan benefits | | | |
| | a) | Participants currently receiving benefits | $51,946,773 | $57,901,644 |
| | b) | Other participants | 66,481,338 | 66,584,171 |
| | c) | Total | $118,428,111 | $124,485,815 |
| 2. | Actuarial present value of accumulated non-vested plan benefits | | 3,812,692 | 5,052,562 |
| 3. | Total actuarial present value of accumulated plan benefits | | $122,240,803 | $129,538,377 |

## Statement of Change in Accumulated Plan Benefits

| | | | 10/1/2007 | 10/1/2008 |
|---|---|---|---|---|
| 1. | Actuarial present value of accumulated plan benefits as of Beginning of Year | | $111,016,952 | $122,240,803 |
| 2. | Increase (decrease) during year attributable to: | | | |
| | a) | Plan amendment | 0 | 494,377 |
| | b) | Change in methodology | 0 | 1,938 |
| | c) | Change in assumptions | 0 | (1,190,320) |
| | d) | Benefits paid | (5,376,897) | (6,521,687) |
| | e) | Increase for interest due to decrease in the discount period | 8,666,280 | 9,518,397 |
| | f) | Other, including benefits accumulated | 7,934,468 | 4,994,869 |
| | g) | Net increase (decrease) | 11,223,851 | 7,297,574 |
| 3. | Actuarial present value of accumulated plan benefits as of End of Year | | $122,240,803 | $129,538,377 |

## Required Contributions

| **Fiscal Year Starting** | **10/1/2008** | **10/1/2009** |
|---|---|---|
| 1. Total Employer Normal Cost | $1,786,504 | $2,165,026 |
| 2. Amortization of Unfunded Actuarial Liability | 1,625,670 | 1,827,738 |
| 3. Total Minimum Contribution (as of beginning of year) | $3,412,174 | $3,992,764 |
| 4. Interest for Quarterly Payments | 168,139 | 196,748 |
| 5. Total Minimum Contribution (paid quarterly) | $3,580,313 | $4,189,512 |
| 6. Covered Payroll for Contribution Year | $27,626,347 | $28,439,373 |
| 7. Required Contributions | $3,704,693 | $4,337,004 |
| 8. Required Contribution Rate | 13.41% | 15.25% |

## Disclosure of Following Items:

| | **10/1/2007** | **10/1/2008** |
|---|---|---|
| 1. Actuarial present value of future salaries – attained age | $198,389,443 | $227,548,094 |
| 2. Actuarial present value of future employee contributions – attained age* | 19,402,227 | 22,410,027 |
| 3. Actuarial present value of future contributions from other sources | N/A | N/A |
| 4. Amount of active members' accumulated contributions | 17,789,646 | 19,567,785 |
| 5. Actuarial present value of future salaries and future benefits at entry age | Not provided by software | Not provided by software |
| 6. Actuarial present value of future employee contributions at entry age | Not provided by software | Not provided by software |

* Does not include contributions to be made by the City on behalf of Elected Officials and Appointees.

Estimated Salary Increases for the years ending September 30:

| Year | Actual | Assumed |
|---|---|---|
| **2008** | 2.4% | 6.4% |
| **2007** | 9.2% | 6.1% |
| **2006** | 6.1% | 6.1% |
| **2005** | 5.1% | 6.1% |
| **2004** | 5.2% | 6.3% |
| **2003** | 6.3% | 6.1% |
| **2002** | 6.0% | 6.4% |
| **2001** | 7.1% | 6.0% |
| **2000** | 6.8% | 6.0% |
| **1999** | 4.3% | 6.0% |
| **1998** | 6.4% | 6.0% |

Average Annual Payroll Growth:

| Valuation Date | # Years to 10/1/2008 | Total Payroll | Average Annual Increase to 10/1/2008 |
|---|---|---|---|
| 10/1/2008 | — | $27,611,132 | % |
| 10/1/2007 | 1 | 26,825,168 | 2.9 |
| 10/1/2006 | 2 | 25,183,705 | 4.7 |
| 10/1/2005 | 3 | 24,484,820 | 4.1 |
| 10/1/2004 | 4 | 23,757,054 | 3.8 |
| 10/1/2003 | 5 | 22,654,890 | 4.0 |
| 10/1/2002 | 6 | 22,075,029 | 3.8 |
| 10/1/2001 | 7 | 20,758,683 | 4.2 |
| 10/1/2000 | 8 | 19,826,738 | 4.2 |
| 10/1/1999 | 9 | 19,272,464 | 4.1 |
| 10/1/1998 | 10 | 19,207,787 | 3.7 |

Reconciliation of DROP Balances

| | Beginning Balance 10/1/2007 | Fiscal Year Monthly Additions | Interest Earned | Distributions | Ending Balance 9/30/2008 |
|---|---|---|---|---|---|
| Total | $1,614,339 | $841,644 | $164,439 | $1,161,596 | $1,458,826 |

## Comparison of Retirement Elections in Year Ended September 30, 2008 versus Eligibility as of October 1, 2007

| Age | Eligible for Early Retirement | Eligible for Normal Retirement | Eligible for DROP | Electing Early Retirement | Electing Normal Retirement | Electing DROP |
|---|---|---|---|---|---|---|
| <40 | | | | | | |
| <41 | 2 | | | | | |
| <42 | 1 | | | | | |
| <43 | 3 | | | | | |
| <44 | 4 | | | | | |
| <45 | 2 | | | | | |
| <46 | 7 | | | | | |
| <47 | 3 | | | | | |
| <48 | 6 | | | | | |
| <49 | 7 | | | | | |
| <50 | 4 | | | | | |
| <51 | 6 | | | | | |
| <52 | 4 | | | | | |
| <53 | 6 | | | | | |
| <54 | 8 | | | | | |
| <55 | 5 | | | | 3 | 3 |
| <56 | | 2 | 2 | | | 1 |
| <57 | | 1 | 1 | | | |
| <58 | | 2 | 2 | | | 1 |
| <59 | | 1 | 1 | | | |
| <60 | | | | | | |
| <61 | | | | | | 2 |
| <62 | | 1 | 1 | | 1 | 1 |
| <63 | | 2 | 2 | | | |
| <64 | | | | | | |
| <65 | | 2 | 2 | | | |
| <66 | | 3 | 3 | | 2 | |
| <67 | | 1 | 1 | | | |
| <68 | | 1 | 1 | | | |
| <69 | | 1 | 1 | | | 1 |
| <70 | | | | | | |
| 70+ | | 2 | 2 | | | |
| **Total** | **68** | **19** | **19** | **0** | **6** | **9** |

Early Retirement Eligibility: 20 years of service.

Normal Retirement Eligibility: Earlier of (1) age 55 with 20 years of service, or (2) age 62 with 3 years of service.

DROP Eligibility: Same as Normal Retirement Eligibility.

## Plan to Amortize Unfunded Liability:

Any unfunded liability arising because of plan amendment will be amortized over a period of 30 years from the valuation date coincident with or immediately following the effective date of the amendment. Any unfunded liability arising because of changes in actuarial assumptions and methods will be amortized over a period of 30 years from date of change. Any unfunded liability arising because of actuarial gains of losses will be amortized over a period of 30 years from date of gain or loss.

## Amortization of Unfunded Actuarial Accrued Liabilities

| Date of Origin | Source | Years Left | Original Balance | Current Balance | Amortization Payment |
|---|---|---|---|---|---|
| 10/1/79 | Original | 3 | $2,964,494 | $ 982,866 | $ 341,660 |
| 10/1/81 | Method Change | 3 | 931,067 | 243,643 | 84,694 |
| 10/1/81 | Assumption Change | 3 | (278,440) | (72,844) | (25,322) |
| 10/1/81 | Experience (Gain) Loss | 3 | 330,034 | 86,361 | 30,020 |
| 10/1/82 | Assumption Change | 4 | (581,783) | (188,509) | (50,177) |
| 10/1/82 | Method Change | 4 | 2,400,585 | 777,847 | 207,046 |
| 10/1/82 | Experience (Gain) Loss | 4 | (708,278) | (229,500) | (61,088) |
| 10/1/83 | Experience (Gain) Loss | 5 | (1,008,056) | (392,095) | (85,232) |
| 10/1/84 | Plan Amendment | 6 | 172,128 | 78,100 | 14,440 |
| 10/1/84 | Assumption Change | 6 | (981,955) | (445,527) | (82,373) |
| 10/1/84 | Experience (Gain) Loss | 6 | 436,628 | 198,098 | 36,626 |
| 10/1/85 | Experience (Gain) Loss | 7 | (630,842) | (308,623) | (49,912) |
| 10/1/86 | Assumption Change | 8 | 748,707 | 392,767 | 56,712 |
| 10/1/86 | Experience (Gain) Loss | 8 | (2,085,244) | (1,093,896) | (157,948) |
| 10/1/87 | Method Change | 9 | 1,183,328 | 693,744 | 90,839 |
| 10/1/87 | Plan Amendment | 9 | 410,774 | 240,819 | 31,533 |
| 10/1/87 | Experience (Gain) Loss | 9 | (3,460,275) | (2,028,613) | (265,627) |
| 10/1/88 | Plan Amendment | 10 | 417,435 | 302,648 | 36,381 |
| 10/1/88 | Experience (Gain) Loss | 10 | 1,662,787 | 1,205,569 | 144,920 |
| 10/1/89 | Experience (Gain) Loss | 11 | (180,749) | (138,148) | (15,397) |
| 10/1/90 | Plan Amendment | 12 | 62,149 | 52,058 | 5,424 |
| 10/1/90 | Experience (Gain) Loss | 12 | (376,257) | (315,093) | (32,828) |
| 10/1/91 | Experience (Gain) Loss | 13 | 180,600 | 163,194 | 16,002 |
| 10/1/92 | Assumption Change | 14 | (806,413) | (766,800) | (71,174) |
| 10/1/92 | Plan Amendment | 14 | (132,092) | (125,604) | (11,659) |
| 10/1/92 | Experience (Gain) Loss | 14 | (248,979) | (236,751) | (21,975) |
| 10/1/93 | Experience (Gain) Loss | 15 | (304,735) | (303,852) | (26,831) |
| 10/1/94 | Assumption Change | 16 | 1,260,489 | 1,340,670 | 113,110 |
| 10/1/94 | Plan Amendment | 16 | 91,138 | 96,936 | 8,178 |
| 10/1/94 | Experience (Gain) Loss | 16 | 290,132 | 308,592 | 26,035 |
| 10/1/95 | Assumption Change | 17 | 697,180 | 750,317 | 60,711 |

| Date of Origin | Source | Years Left | Original Balance | Current Balance | Amortization Payment |
|---|---|---|---|---|---|
| 10/1/95 | Experience (Gain) Loss | 17 | $(1,175,801) | $ 1,265,428) | (102,390) |
| 10/1/96 | Assumption Change | 18 | 365,331 | 412,654 | 32,128 |
| 10/1/96 | Experience (Gain) Loss | 18 | (1,384,333) | (1,563,666) | (121,743) |
| 10/1/97 | Assumption Change | 19 | 73,638 | 93,851 | 7,052 |
| 10/1/97 | Experience (Gain) Loss | 19 | (4,825,881) | (6,150,517) | (462,139) |
| 10/1/98 | Experience (Gain) Loss | 20 | (3,450,637) | (4,066,120) | (295,626) |
| 10/1/99 | Experience (Gain) Loss | 21 | (4,863,161) | (5,477,033) | (386,219) |
| 10/1/00 | Assumption Change | 22 | (10,001,095) | (10,820,471) | (741,621) |
| 10/1/00 | Plan Amendment | 22 | 13,628,631 | 14,745,208 | 1,010,618 |
| 10/1/00 | Variable Benefit | 21 | 226,471 | 243,553 | 17,174 |
| 10/1/00 | Experience (Gain) Loss | 22 | (1,480,206) | (1,607,880) | (110,202) |
| 10/1/01 | Variable Benefit | 22 | 280,869 | 300,904 | 20,624 |
| 10/1/01 | Experience (Gain) Loss | 23 | 7,815,513 | 8,451,600 | 564,103 |
| 10/1/02 | Experience (Gain) Loss | 24 | 9,987,004 | 10,733,580 | 698,887 |
| 10/1/02 | Assumption Change | 24 | 1,136,132 | 1,221,062 | 79,506 |
| 10/1/02 | Method Change | 24 | (5,539,505) | (5,953,608) | (387,653) |
| 10/1/03 | Experience (Gain) Loss | 25 | 4,483,179 | 4,777,051 | 303,919 |
| 10/1/04 | Experience (Gain) Loss | 26 | 4,956,483 | 5,239,740 | 326,194 |
| 10/1/04 | Plan Amendment DROP | 26 | 2,820,380 | 2,981,562 | 185,614 |
| 10/1/04 | Plan Amendment Elected Officials / Appointees | 26 | 1,220,245 | 1,289,981 | 80,306 |
| 10/1/05 | Experience (Gain) Loss | 27 | 6,499,4426 | 6,807,875 | 415,268 |
| 10/1/06 | Experience (Gain) Loss | 28 | (3,577,856) | (3,698,458) | (221,321) |
| 10/1/06 | Plan Amendment 2.75% Multiplier | 28 | 6,510,457 | 6,729,910 | 402,727 |
| 10/1/07 | Experience (Gain) Loss | 29 | 343,924 | 349,974 | 20,569 |
| 10/1/08 | Experience (Gain) Loss | 30 | 2,246,447 | 2,246,447 | 129,810 |
| 10/1/08 | Assumption Changes | 30 | (117,474) | (117,474) | (6,788) |
| 10/1/08 | Plan Amendment Senior Managers | 30 | 383,377 | 383,377 | 22,153 |
| **TOTAL** | | | | **$27,566,048** | **$1,827,738** |

## Certification

This actuarial valuation and 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, 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.

Ira M. Summer, F.S.A, E.A.
Public Pension Professionals, Inc.
Enrollment Number 08-4683

January 2009

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