

**TOWN OF PALM BEACH RETIREMENT SYSTEM**  
COMBINED ACTUARIAL VALUATION REPORT FOR  
GENERAL EMPLOYEES INCLUDING OCEAN RESCUE,  
POLICE OFFICERS AND FIREFIGHTERS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

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**FOR GENERAL EMPLOYEES INCLUDING OCEAN RESCUE, POLICE**  
**OFFICERS AND FIREFIGHTERS**

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May 10, 2013

The Board of Trustees  
Town of Palm Beach Retirement System  
Palm Beach, Florida

The results of the September 30, 2012 Actuarial Valuations of the Town of Palm Beach Retirement System are presented in this report. The purpose of the annual valuation is to measure the System's funding progress, to determine the Town's contribution rate for the fiscal year beginning October 1, 2013 in accordance with established funding policies, and to determine actuarial information for Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 27. The results of the valuation may not be applicable for other purposes.

This report should not be relied on for any purpose other than those described above. It was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board.

The signing actuaries are independent of the plan sponsor.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Valuation highlights, a summary of valuation results, observations, recommendations and our certification immediately follow this cover letter.

Detailed valuation results are contained in Section A of the respective reports.

The valuation was based upon information, furnished by your Administrator, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retired members and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited. This information is summarized in Section B of the respective reports.

Actuarial cost methods, actuarial assumptions, and definitions of technical terms are contained in the Appendix.

Governmental Accounting Standards Board Statement No. 25 information is contained in Section C of the respective reports.

Supplement information requested by the State of Florida Division of Retirement is contained in Section D of the respective reports.

Board of Trustees

May 10, 2013

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This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Town of Palm Beach Retirement Systems as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable.

The signing actuaries are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA



Randall J. Dziubek, ASA, EA, MAAA

BLA/RJD:bd

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## **EXECUTIVE SUMMARY**

COMBINED VALUATION SUMMARY, OBSERVATIONS,  
RECOMMENDATIONS AND CERTIFICATION

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# Summary of Valuation Results September 30, 2012

## FUNDING OBJECTIVE

The basic funding objective of the Retirement System is to avoid transfer of the cost of benefit obligations between generations of taxpayers. This objective is implemented by contributions sufficient to:

- ◆ pay for costs allocated to the current year on account of service rendered by active non-DROP participants in the current year (Normal Cost).
- ◆ pay for costs, in excess of the Funding Value of Assets, allocated to prior years on account of service rendered by participants in prior years (Unfunded Actuarial Accrued Liability) over 30-year closed periods.

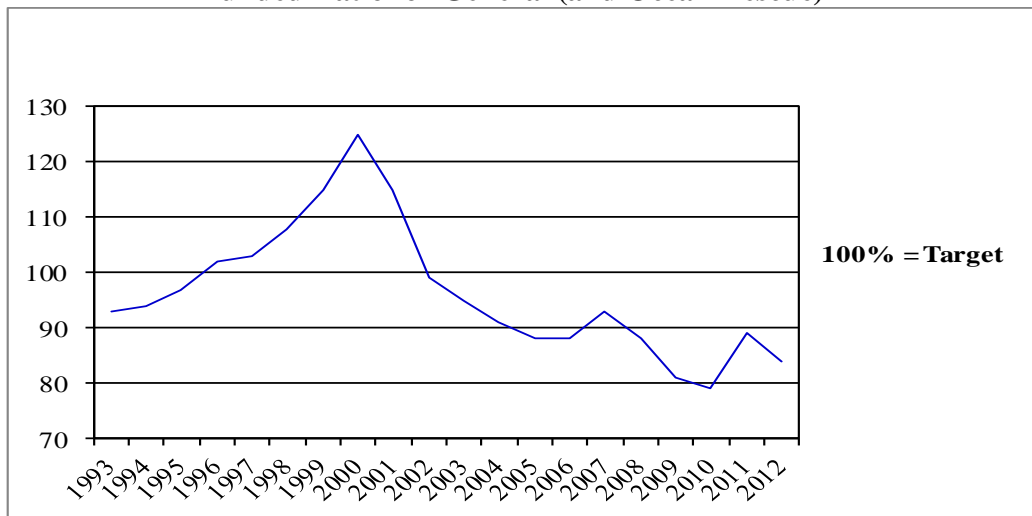
The annual actuarial valuation measures the relationship between Retirement System obligations and assets and determines the contribution rates for the ensuing year. The Retirement System is supported by member contributions, Town contributions, and investment income from Retirement System assets.

## VALUATION RESULTS - FUNDING PROGRESS INDICATORS

### General

The September 30, 2012 actuarial valuation indicates that the actuarial accrued liabilities of the General Retirement System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 79.8% funded by the Funding Value of Assets. This is a decrease from last year's funded ratio of 89.5%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 80.3%. This is an increase from last year's ratio of 78.0%.

**Funded Ratio for General (and Ocean Rescue)\***

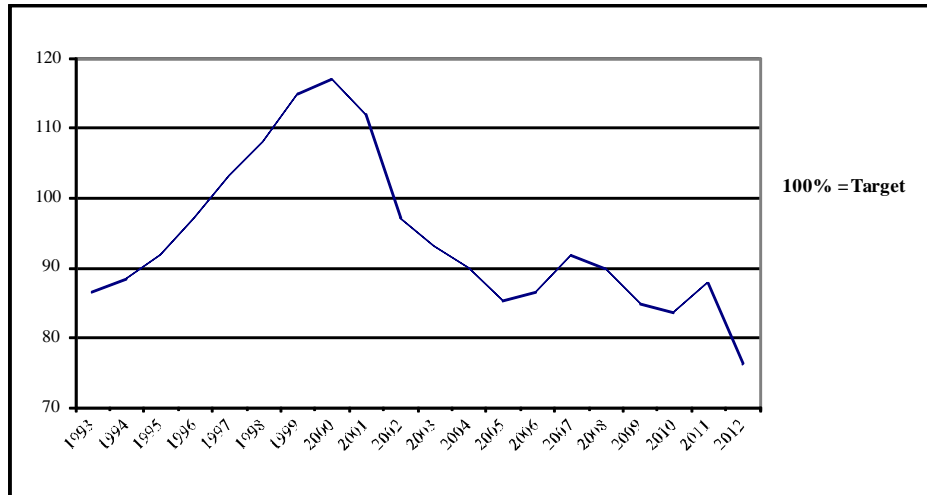


\* Years prior to 2000 include Public Safety.

## Police

The September 30, 2012 actuarial valuation indicates that the actuarial accrued liabilities of the Police Retirement System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 76.2% funded by the Funding Value of Assets. This is a decrease from last year's funded ratio of 87.8%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 72.5%. This is a decrease from last year's 74.8%.

**Funded Ratio for Police\***

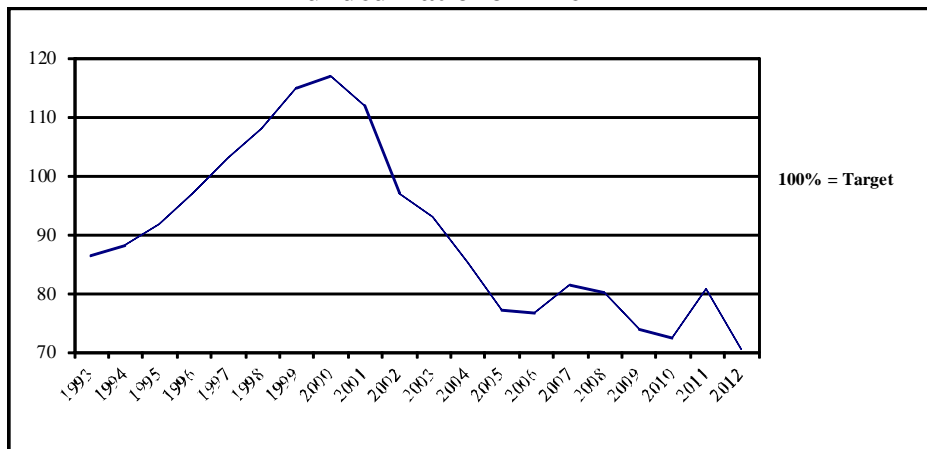


\* Years prior to 2004 include Fire and years prior to 2000 include General and Ocean Rescue.

## Fire

The September 30, 2012 actuarial valuation indicates that the actuarial accrued liabilities of the Fire Retirement and Benefit System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 70.5% funded by the Funding Value of Assets. This is a decrease from last year's funded ratio of 80.8%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 67.5%. This is a decrease from last year's 68.9%.

**Funded Ratio for Fire\***



\* Years prior to 2004 include Police and years prior to 2000 include General and Ocean Rescue.

## VALUATION RESULTS - CONTRIBUTION REQUIREMENT

The percent of active member payroll contribution requirements for the 2013-2014 and 2012-2013 fiscal years are:

### General

	2013-2014			2012-2013		
	General	Ocean		General	Ocean	
		Rescue	Aggregate		Rescue	Aggregate
Member portion	3.10 %	4.24 %		3.12 %	4.41 %	
Town portion	18.15	68.04	19.16 %	11.87	63.59	12.84 %
Illustrative \$	\$1,850,688	\$143,700	\$1,994,388	\$1,223,869	\$125,294	\$1,349,162

Comparative contribution information is shown on page A-3 of the General Report. Composition of the current contribution rate is shown on page A-1 of the General report.

### Police

	2013-2014	2012-2013
Member portion	5.01 %	5.05 %
Town portion	42.14	25.04
Illustrative \$	\$1,881,949	\$1,257,107

Comparative contribution information is shown on page A-4 of the Police report. Composition of the current contribution rate is shown on page A-1 of the Police report.

### Fire

	2013-2014	2012-2013
Member portion	4.83 %	4.83 %
Town portion	47.41	27.72
Illustrative \$	\$2,040,491	\$1,370,637

Comparative contribution information is shown on page A-4 of the Fire report. Composition of the current contribution rate is shown on page A-1 of the Fire report.



## VALUATION RESULTS - LAST YEAR'S EXPERIENCE INDICATORS

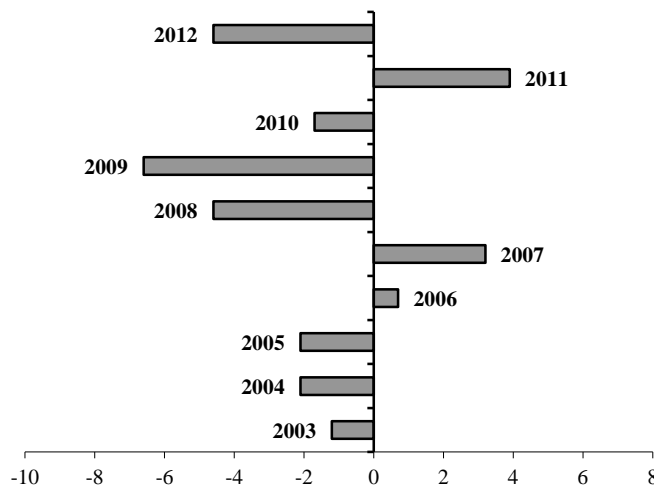
The Funding Value of Assets of the Retirement System increased less than projected by the long-term investment income funding assumption during the last year. Note that each year's deviation from assumed investment experience is spread over five years in equal dollar installments to reduce the effect of market volatility on contribution rates. More detail is provided in the respective Section A's of this report. The recognized return on the Funding Value of Assets was roughly 1.9% for General, 0.9% for Police and 0.9% for Fire, net of investment expenses. The projected return for the fiscal year ending September 30, 2012 was 8.0%.

The aggregate effect of overall System experience was a loss of \$15.9 million, caused mostly by lower than expected investment return. The impact on the Term's contribution amount for the fiscal year ending September 30, 2014 is an increase of approximately \$920,000. A portion of the losses were attributable to the volume of retirement activity that took place during the fiscal year producing higher liabilities than were projected based on valuation assumptions for average final salary. There also was a loss attributable to the Town contributing on a rate basis and reserving a portion of the contributions contributed to the reserve for employer contributions. While this was a small loss, it is advantageous to the Town to have a larger reserve for budgeting purposes. There was also a modest increase in liabilities due to more grandfathered members continuing in employment than expected based on valuation assumptions. This impacted both accrued liabilities and the normal cost.

Year-to-year experience variations are expected and normal in the operation of a retirement system as members vary their activities and economic conditions change. The expectation is that the plus years and minus years will tend to cancel over 5 to 10 year periods. However, the majority of the last 10 years have been unfavorable (please refer to page A-9 or A-10 of the respective reports).

### General

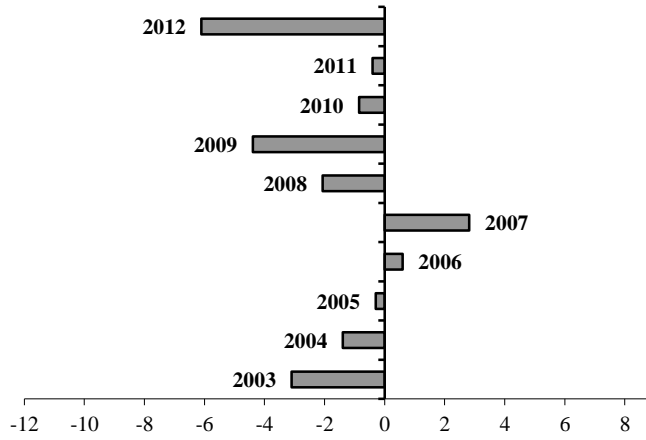
**Experience Gains and Losses\***  
(Amounts in Millions)



\* Years prior to 2000 include Police and Fire.

## Police

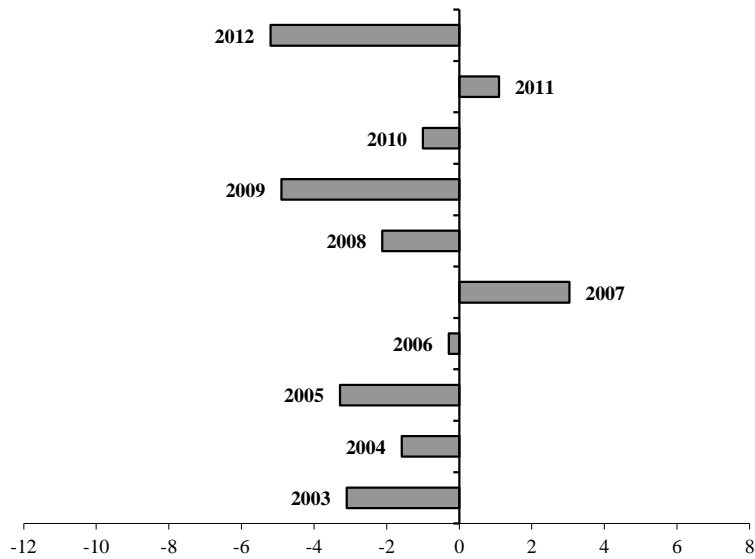
### Experience Gains and Losses\* (Amounts in Millions)



\* Years prior to 2004 include Fire. Years prior to 2000 include General and Fire.

## Fire

### Experience Gains and Losses\* (Amounts in Millions)



\* Years prior to 2004 include Police. Years prior to 2000 include General and Police.

## **CHAPTER 185 – POLICE**

\$118,579 is being held as a liability in this report.

## **CHAPTER 175 SHARE ACCOUNTS - FIRE**

Share Accounts totaling \$2,458,457 were excluded from assets and liabilities in this report. The Board should annually review and approve the issuance of individual Share Account statements to the extent any remain.

## **RESERVE FOR EMPLOYER CONTRIBUTION**

Due to overpayments by the Town above minimum division of retirement calculations over the past two years, the following amounts are being held as liabilities in this report for future Town use in meeting employer contribution requirements.

<u>Reserve for Employer Contributions</u>	
General	\$614,844
Ocean Rescue	0
Police Officers	651,488
Firefighters	902,992

## **ASSUMPTION CHANGES**

The Board adopted changes in assumptions reducing the long term investment return assumption from 8% to 7.5% and reducing the wage inflation assumption from 4.5% to 3.5%. The impact on the Town's contribution amount for the fiscal year ending September 30, 2014 is an increase of approximately \$930,000.

## RECOMMENDATIONS

The Retirement Ordinance requires reserve account transfers from the Employer Reserve Fund to the Retirement Reserve Fund which will establish a match between assets allocated to the Retirement Fund and liabilities associated with current retired lives.

### General

The balances in the Retirement Reserve Fund as of October 1, 2012 following the transfers should be as follows:

<u>Division</u>	<u>Retirement Reserve Fund</u>
General	\$58,833,227
Ocean Rescue	<u>3,815,401</u>
	\$62,648,628

### Police

The balance in the Retirement Reserve Fund as of October 1, 2012 following the transfer should be \$62,277,076.

### Fire

The balance in the Retirement Reserve Fund as of October 1, 2012 following the transfers should be \$65,006,622.

## NEXT YEAR'S EXPERIENCE INDICATORS

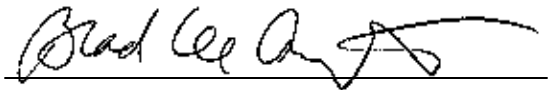
Due to the Boards' use of a five-year smoothed market asset valuation method, greater than expected market returns were only partially recognized, and combined with the scheduled phase-in of the prior four years unrecognized investment income. Subsequently, investment losses are scheduled for the next three years. This will exert significant and sustained upward pressure on future computed employer contribution rates and downward pressure on the funded ratio in the next few reports in the absence of future gains.

## CERTIFICATION

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

5/10/2013

Date



Brad Lee Armstrong, ASA, EA [11-5614]

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**SECTION I**  
GENERAL REPORT

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## **SECTION A**

### **DETAILED VALUATION RESULTS**

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**Contributions to Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2013  
to be Contributed During the Fiscal Year Beginning October 1, 2013**

<b>Contributions for</b>	<b>Contributions Expressed as Percents of UnDROPEd Active Member Payroll</b>	
	<b>General</b>	<b>Ocean Rescue</b>
Normal Cost		
Service pensions	5.66 %	8.26 %
Disability pensions	0.77	1.15
Death in service pensions	0.54	0.71
Deferred service pensions	0.30	0.91
Refunds of member contributions	0.54	0.46
Total Normal Cost	7.81	11.49
Unfunded Actuarial Accrued Liability *		
Retired members and beneficiaries	0.00	0.00
Active and vested terminated members	11.90	59.25
Total Unfunded Actuarial Accrued Liability	11.90	59.25
Administrative Expenses	1.54	1.54
Total Unadjusted Computed Contribution	21.25	72.28
Adjustments to Computed Contribution		
FS 112.64(5) Compliance	0.00	0.00
Full funding credit	0.00	0.00
Total adjustments	0.00	0.00
Total Adjusted Contribution Requirement	21.25	72.28
Member portion	3.10	4.24
Town portion	18.15	68.04

\* Please refer to pages A-9 and A-10 for schedules of financing periods.

FS 112.64 requires Public contributions to be deposited not less frequently than quarterly. Member contributions, which are in addition to the Public contributions, must be deposited not less frequently than every pay period.

Comparative contribution amounts for prior fiscal years are shown on page A-3.

## Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. The Florida Division of Retirement has indicated the legislative intent in Section 112.61, F.S., is to apply the Town portion of the contribution requirement on page A-1 to emerging payroll. To accomplish this, the Town should contribute dollar amounts at the end of each payroll period which are equal to the percent-of-payroll contribution requirement multiplied by the unDROPed active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll amounts that are covered compensation.

Illustrative Only. Included in these amounts is the projected salary increase between the valuation date and the fiscal year in which the contribution will be made. The projection factor used was 1.052957, (1.035<sup>1.5</sup>), which is consistent with the projection used to calculate actuarial liability.

<b>General</b>	<b>Ocean Rescue</b>	<b>Total</b>
\$1,850,688	\$143,700	\$1,994,388 *

\* *This amount can be made by a combination of actual contributions and use of the Reserve for Employer Contributions, if any balance is remaining in the reserve.*

The above amounts are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.60% (.0060) for each month of delay.

## Recommended Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions	
		General	Ocean Rescue
85/86	1984	12.86 %	
86/87 (a)	1985	12.83	20.20 %
87/88	1986	12.65	18.96
88/89 (a)	1987	12.84	18.83
89/90	1988	13.50	20.31
90/91	1989	13.14	17.90
91/92 (a)	1990	15.42	20.12
92/93	1991	15.49	20.35
93/94	1992	15.41	20.50
94/95 (a)	1993	15.66	21.26
95/96	1994	15.76	19.90
96/97 (a)	1995	14.29	19.70
97/98	1996	12.87	18.82
98/99	1997	11.59	17.84
99/00 (a)	1998	12.08	16.50
00/01 (a)	1999	9.58	15.44
01/02	2000	6.14	10.81
02/03 (b)	2001	8.09	12.17
02/03 (a)	2001	10.83	15.59
03/04	2002	15.85	16.97
04/05	2003	16.75	22.39
05/06	2004	17.66	24.39
06/07	2005	19.01	27.09
07/08	2006	19.15	27.15
08/09	2007	17.35	25.81
09/10	2008	18.71	31.42
10/11	2009	20.95	33.37
11/12	2010	23.34	41.71
12/13 (a)	2011	11.87	63.59
<b>13/14 (b)</b>	<b>2012</b>	<b>15.29</b>	<b>58.57</b>
<b>13/14 (a)</b>	<b>2012</b>	<b>18.15</b>	<b>68.04</b>

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

(b) Before changes described in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

## Funding Progress Indicators

We believe an understanding of funding progress and status can be achieved using the following measures:

*Indicator (1)* **The actuarial present value of gains or losses realized in the operation of the Retirement System** - an experience indicator. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) but sizable year-to-year fluctuations are common. An experience gain can result from assets increasing in value by more than anticipated by the funding program, or by the actuarial accrued liability increasing by less than anticipated by the funding program, or by other favorable combinations of deviation from expected asset and liability changes. Further details on the derivation of the gain (loss) are shown on page A-6.

*Indicator (2)* **The ratio of the funding value of assets to the actuarial accrued liability** measured in accordance with GASB Statement No. 5 prior to the September 30, 1997 valuation and GASB Statement No. 25 beginning with the September 30, 1997 valuation. The ratio is expected to increase over time but the basic trend may be interrupted by benefit improvements, or changes in actuarial assumptions and/or methods.

*Indicator (3)* **The ratio of the unfunded actuarial accrued liability to active member payroll** - an inflation adjusted funding level indicator. In a soundly financed Retirement System, the amount of the unfunded actuarial accrued liability will be controlled and prevented from increasing in the absence of benefit improvements. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease over time but the basic trend may be interrupted by benefit improvements.

## Funding Progress Indicators - Historical Comparisons (\$ Amounts in Thousands)

Valuation Date September 30@	Indicator (1)		Indicator (2)		Indicator (3)		Ratio to Payroll
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	
1988	\$ 131	\$ 34,191	\$ 37,397	91 %	\$ 3,206	\$ 9,706	33 %
1989	1,425	38,999	40,732	96	1,733	10,597	16
1990 (a)	(839)	42,663	48,527	88	5,864	11,556	51
1991	(756)	46,830	53,410	88	6,580	12,287	54
1992	(530)	51,470	58,398	88	6,928	12,712	54
1993 (a)	2,632	57,089	61,692	93	4,603	12,443	37
1994	674	62,651	66,474	94	3,823	12,415	31
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000	3,385	49,616	39,588	125	(10,028)	8,113	--
2001 (a)	(949)	56,060	48,675	115	(7,385)	8,752	--
2002	(8,273)	52,316	53,071	99	755	9,380	8
2003	(1,193)	53,798	56,652	95	2,854	10,223	28
2004	(2,100)	56,298	61,842	91	5,544	10,877	51
2005	(2,111)	59,589	67,882	88	8,294	11,552	72
2006	673	64,608	73,054	88	8,446	12,422	68
2007	3,448	72,161	77,632	93	5,470	12,697	43
2008	(4,614)	73,732	83,758	88	10,025	12,687	79
2009	(6,743)	72,370	89,658	81	17,288	13,304	130
2010	(1,368)	73,809	93,147	79	19,338	11,580	167
2011 (a)	3,882	74,247	82,974	89	8,728	10,926	80
<b>2012</b>	<b>(4,581)</b>	<b>72,393</b>	<b>86,080</b>	<b>84</b>	<b>13,687</b>	<b>9,884</b>	<b>138</b>
<b>2012 (a)</b>	<b>(4,581)</b>	<b>72,393</b>	<b>90,681</b>	<b>80</b>	<b>18,289</b>	<b>9,884</b>	<b>185</b>

(a) After changes described in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

# GASB Statement No. 25 basis.

@ For the September 30, 2000 - 2010 valuations, Public Safety members are valued in a separate report.

AAL represents Actuarial Accrued liability. Measured in accordance with GASB Statement No. 5 prior to 1997 and GASB Statement No. 25 beginning in 1997.

## Experience Gain/(Loss) Year Ended September 30, 2012

	Division	
	General	Ocean Rescue
<b>DERIVATION</b>		
(1) UAAL at start of year	\$7,564,873	\$1,162,923
(2) Employer normal cost for year	487,418	15,973
(3) Employer contributions	769,531	41,908
(4) Interest accrued: .08 x [(1) + 1/2 ((2)-(3))]	593,905	91,996
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	7,876,665	1,228,984
(6) Effect of assumption/method changes	4,353,476	248,155
(7) Effect of benefit changes	0	0
(8) Addition to supplemental pension reserve	0	0
(9) Expected UAAL after changes	12,230,141	1,477,139
(10) Actual UAAL	16,520,218	1,768,406
(11) Gain/(loss): (9) - (10)	(4,290,077)	(291,267)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2011	2012	2013	2014	2015	2016
A. Funding Value Beginning of Year	\$73,808,793	\$74,246,569				
B. Market Value End of Year	64,715,832	72,778,562				
C. Market Value Beginning of Year	65,242,348	64,715,832				
D. Non-Investment Net Cash Flow: (EE+ER conts.) - (Refunds+Benefits+SPD+Adm.Exp.)	(792,238)	(3,250,809)				
	8.00%	8.00%				
E. Investment Income						
E1. Market Total: B - C - D	265,722	11,313,539				
E2. Amount for Immediate Recognition at 8%	5,873,014	5,809,693				
E3. Amount for Phased-In Recognition: E1-E2	(5,607,292)	5,503,846				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	(1,121,458)	1,100,769				
F2. First Prior Year	(31,736)	(1,121,458)	\$ 1,100,769			
F3. Second Prior Year	(589,290)	(31,736)	(1,121,458)	\$ 1,100,769		
F4. Third Prior Year	(3,771,110)	(589,290)	(31,736)	(1,121,458)	\$ 1,100,769	
F5. Fourth Prior Year	870,594	(3,771,111)	(589,293)	(31,737)	(1,121,460)	\$ 1,100,770
F6. Adjustment to Recognize 20% Corridor	0	0	0	0	0	0
F7. Total Recognized Investment Gain/(Loss)	(4,643,000)	(4,412,826)	(641,718)	(52,426)	(20,691)	1,100,770
G. Funding Value End of Year: A + D + E2 + F7	74,246,569	72,392,627				
H. Difference between Market & Funding Value	(9,530,737)	385,935				
I. Recognized Rate of Return	1.68%	1.92%				
J. Recognized Rate of Investment Expenses	0.40%	0.42%				
K. Ratio of Funding Value to Market Value	114.7%	99.5%				

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, the Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, the Funding Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to Market Value.

**Unfunded Actuarial Accrued Liability  
as of September 30**

	<u>2012</u>		<u>2011</u>	
	<u>General</u>	<u>Ocean Rescue</u>	<u>General</u>	<u>Ocean Rescue</u>
A. Actuarial present value of future benefits	\$92,222,181	\$5,145,961	\$84,737,926	\$4,733,691
B. Actuarial present value of future normal costs	6,499,992	186,899	6,293,627	203,625
C. Actuarial accrued liability	85,722,189	4,959,062	78,444,299	4,530,066
D. Actuarial value of assets	69,201,971	3,190,656	70,879,426	3,367,143
E. Unfunded actuarial accrued liability	16,520,218	1,768,406	7,564,873	1,162,923
F. Funded ratio	80.7%	64.3%	90.4%	74.3%



## Sources and Financing of Unfunded Actuarial Accrued Liability

### GENERAL

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	21	20		\$ 17,124,879	14.018718	\$ 1,221,572	12.40 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	28	\$ 1,295,349	1,298,032	17.251100	75,243	0.76	0.00
2011	30	29	(4,007,514)	(3,928,633)	17.590482	(223,339)	(2.27)	0.00
2012	30	30	4,290,077	4,290,077	17.917236	239,439	2.43	0.00
<b>Benefit Changes</b>								
2010	30	28	(4,737,059)	(4,746,873)	17.251100	(275,163)	(2.79)	0.00
<b>Assumption/Method Changes</b>								
2010	30	28	(1,756,913)	(1,760,553)	17.251100	(102,055)	(1.04)	0.00
2011	30	29	(112,399)	(110,187)	17.590482	(6,264)	(0.06)	0.00
2012	30	30	4,353,476	4,353,476	17.917236	242,977	2.47	0.00
<b>Totals</b>				<b>\$ 16,520,218</b>		<b>\$ 1,172,410</b>	<b>11.90 %</b>	<b>0.00 %</b>

\* With the adoption of new economic assumptions, consultation with the Town on its budgeted payroll projections, and the Town's policy of contributing on a projected dollar basis using 3.5% wage inflation, this embeds the dollar contribution shown above adjusted to the appropriate fiscal year in the Town's contribution requirement.

## Sources and Financing of Unfunded Actuarial Accrued Liability

### OCEAN RESCUE

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	20	19		\$ 1,245,194	13.541298	\$ 91,955	45.06 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	28	\$ 72,569	75,797	17.251100	4,394	2.15	0.00
2011	30	29	125,711	128,338	17.590482	7,296	3.58	0.00
2012	30	30	291,267	291,267	17.917236	16,256	7.97	0.00
<b>Benefit Changes</b>								
2010	30	28	(224,972)	(234,978)	17.251100	(13,621)	(6.68)	0.00
<b>Assumption/Method Changes</b>								
2010	30	28	(47,583)	(49,700)	17.251100	(2,881)	(1.41)	0.00
2011	30	29	65,059	64,333	17.590482	3,657	1.79	0.00
2012	30	30	248,155	248,155	17.917236	13,850	6.79	0.00
<b>Totals</b>				<b>\$ 1,768,406</b>		<b>\$ 120,906</b>	<b>59.25 %</b>	<b>0.00 %</b>

\* With the adoption of new economic assumptions, consultation with the Town on its budgeted payroll projections, and the Town's policy of contributing on a projected dollar basis using 3.5% wage inflation, this embeds the dollar contribution shown above adjusted to the appropriate fiscal year in the Town's contribution requirement.

## Actuarial Balance Sheet - September 30, 2012

### Present Resources and Expected Future Resources

	General	Ocean Rescue
A. Funding Value of System Assets:		
1. Net assets from System financial statements (market value)	\$ 69,570,896	\$3,207,666
2. Funding value adjustment	(368,925)	(17,010)
3. Funding value of assets	69,201,971	3,190,656
B. Actuarial Present Value of Expected Future Employer Contributions:		
1. For normal costs	3,633,152	103,059
2. For unfunded actuarial accrued liability	16,520,218	1,768,406
3. Totals	20,153,370	1,871,465
C. Actuarial Present Value of Expected Future Member Contributions	2,866,840	83,840
D. Total Present and Expected Future Resources	\$92,222,181	\$5,145,961

### Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To Retirants and Beneficiaries	\$ 58,833,227	\$ 3,815,401
B. To Vested Terminated Members	2,227,631	0
C. To Present Active Members:		
1. Allocated to service rendered prior to valuation date	24,046,487	1,143,661
2. Allocated to service likely to be rendered after valuation date	6,499,992	186,899
3. Totals	30,546,479	1,330,560
D. Reserve for Employer Contributions	614,844	0
E. Reserve for Supp. Pens. Dist. - 13th check	0	0
F. Total Actuarial Present Value of Expected Future Benefit Payments	\$92,222,181	\$5,145,961

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## **SECTION B**

### **SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA SUBMITTED BY THE RETIREMENT SYSTEM**

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## **Summary of Benefit Provisions (September 30, 2012)**

### **NORMAL RETIREMENT:**

#### **Eligibility**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

*General:* 30 or more years of service, regardless of age; or, age 55 with 10 or more years of credited service.

*Ocean Rescue:* Age 50 with 10 or more years of service. Members with at least 10 years of credited service who retire after 2/9/93 are eligible when the individual's age plus credited service totals 65 years or more.

##### ***New Plan benefits accrued after April 30, 2012.***

*General:* Age 65 with 10 or more years of service.

*Ocean Rescue:* Age 65 with 10 or more years of service.

#### **Pension Amount**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

*General:* Average final compensation times the sum of a) 2.75% for service earned after 9/30/90, to a maximum of 82.5%, plus 2.35% for service earned on or before 9/30/90 for the first 30 years of service, plus, b) 1.0% for service in excess of 30 years.

*Ocean Rescue:* Average final compensation times the sum of a) 2.85% for the first 25 years of service with a maximum of 71.25% of AFC, plus, b) 1.0% for service in excess of 25 years.

##### ***New Plan benefits accrued after April 30, 2012.***

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for life. Also, see Automatic Death After Retirement Pension heading.

#### **Type of Average Final Compensation**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

Highest 2 consecutive years within the member's last 5 years of credited service.

##### ***New Plan benefits accrued after April 30, 2012.***

Average compensation after April 30, 2012 over a period increasing up to the final 5 years of credited service by April 30, 2017.

## **DROP RETIREMENT:**

**Eligibility** – Same as Normal Retirement, election must be made within 7 years of the date the member first reaches normal retirement eligibility.

**Pension Amount** – 98% of the member's accrued benefit at the date of election to participate in DROP.

## **EARLY RETIREMENT (GENERAL):**

**Eligibility** - Age 50 with 10 or more years of credited service. Frozen accrued benefits as of April 30, 2012 are vested immediately. New Plan provisions eligibility is age 60 with 10 or more years of credited service.

**Pension Amount** - Computed as a normal retirement benefit but reduced 6/10 of 1% (3/10 of 1% if service credit is 20 or more years) for each month early retirement precedes the member's projected normal retirement date. The new plan provides for an actuarial equivalent reduction.

## **DEFERRED RETIREMENT (VESTED TERMINATION BENEFIT):**

**Eligibility** - 10 or more years of service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit.

**Pension Amount** - Computed as for normal retirement, based upon service and average final compensation at time of termination.

## **DUTY DISABILITY RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - To earliest normal retirement eligibility date: Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation. At earliest normal retirement eligibility date: computed as a regular retirement. The minimum shall be applicable for at least 5 years if the member attains such age for retirement less than 5 years after duty disability benefits commence.

## **NON-DUTY DISABILITY BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - Computed as for normal retirement.

## **DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retiree's AFC and the aggregate amount paid to children for the month.

## **NON-DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

## **AUTOMATIC DEATH AFTER RETIREMENT PENSION:**

*Grandfathered and April 30, 2012 frozen accrued benefits.*

**To Surviving Child(ren):** 25% of the retirees pension payable to age 18, not to exceed an equal share of 75% of the retirees pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

**To Surviving Spouse:** The difference, if any, between 75% of the deceased retirees pension and the aggregate amount paid to any surviving children for the month.

*New Plan benefits accrued after April 30, 2012.*

Reduced optional forms of payment are available.

## **POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS:**

*Grandfathered and April 30, 2012 frozen accrued benefits.*

Members who retire after 9-30-68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3-year deferral period.

*New Plan benefits accrued after April 30, 2012.*

None.

**MEMBER CONTRIBUTIONS:**

<b>Benefit Group</b>	<b>Contribution Rate as a Percent of Payroll</b>	
	<b>Before May 1, 2012</b>	<b>On and After May 1, 2012</b>
General –		
Hired Before May 1, 1992	6.47%	4.47%
Hired on or After May 1, 1992	6.47%	2.47%
Lifeguard –		
Hired Before May 1, 1992	7.21%	5.21%
Hired on or After May 1, 1992	7.21%	3.21%

**TOWN CONTRIBUTIONS:** Actuarially determined amounts which together with member contributions are sufficient to cover the requirements of the funding objective stated in the Executive Summary.

**PRIOR GOVERNMENTAL SERVICE ELSEWHERE:** During the first five years of employment by the Town, the years or fractional parts of years that a member previously served for any other municipal, county, or state government or district may be added to years or fractional parts of years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

**PURCHASE OF SERVICE CREDIT:** A vested member who has not purchased service credit under Prior Governmental Service Elsewhere may purchase years or fractional parts of years of service to be added to years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.



## Summary of Assets (Market Value)

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Cash	\$ 732,055	\$ 657,033
Accrued interest and dividends	6,281	4,543
Other short-term	0	0
Bonds - government	0	0
- corporate	0	0
- mutual funds	21,415,919	19,826,284
- mortgage	0	0
Stocks - common	11,003,536	8,699,831
- preferred	0	0
Stock mutual funds	32,791,919	28,968,491
Accounts payable	(117,511)	(74,817)
Other	6,946,363	6,634,467
<b>Total Assets</b>	<b>\$72,778,562</b>	<b>\$64,715,832</b>

# Accounting Information Utilized for Valuation

## REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>September 30, 2012</u>	<u>Year Ended</u> <u>September 30, 2011</u>
<b>Revenues:</b>		
a. Member contributions:		
- General	\$ 1,228,879	\$ 833,715
- Ocean Rescue	12,447	20,637
b. Town contributions:		
- General	769,531	2,927,020
- Ocean Rescue	41,908	148,364
c. Investment income:		
1. Interest	813	15,042
2. Dividends	93,242	104,544
3. Unrealized Gain/(Loss)	10,604,230	(795,636)
4. Gain or (loss) on sales	1,521,986	1,236,855
5. Other	11,121	0
d. Total revenues	<u>14,284,157</u>	<u>4,490,541</u>
<b>Expenditures:</b>		
a. Refunds of member contributions:		
- General	59,508	66,994
- Ocean Rescue	3,759	0
b. Benefits paid:		
- General	4,776,029	4,311,762
- Ocean Rescue	311,897	290,244
c. Supplemental pension distribution	0	0
d. Administrative expenses	152,381	52,974
e. Investment expenses	303,010	295,083
f. Other	0	0
g. Total expenditures	<u>5,606,584</u>	<u>5,017,057</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u>\$8,677,573</u>	<u>(\$526,516)</u>

# Accounting Information Submitted for Valuation

## RESERVE ACCOUNTS\*

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Employees' contributions (Members' Saving Fund):		
General	\$ 7,625,599	\$ 7,401,614
Ocean Rescue	221,567	209,768
Totals	<u>7,847,166</u>	<u>7,611,382</u>
Employer contributions (Employer Reserve Fund):		
General	8,912,208	7,128,329
Ocean Rescue	(718,250)	(688,080)
Totals	<u>8,193,958</u>	<u>6,440,249</u>
Retired members and beneficiaries (Retirement Reserve Fund):		
General	52,362,587	46,602,513
Ocean Rescue	3,704,349	3,413,228
Totals	<u>56,066,936</u>	<u>50,015,741</u>
Inactive members (Deferred Retirement Fund):		
General	670,502	648,460
Ocean Rescue	0	0
Totals	<u>670,502</u>	<u>648,460</u>
Total		
General	69,570,896	61,780,916
Ocean Rescue	3,207,666	2,934,916
Totals	<u>\$ 72,778,562</u>	<u>\$ 64,715,832</u>

\* Before transfers in accordance with Section 82-82(b) of Retirement Ordinance (please refer to page 7).

# Retired Member and Beneficiary Data

## HISTORICAL SCHEDULE\*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1975	13	7	6	\$ 57,636	81	\$ 260,062	\$ 3,211
1980	12	3	9	103,790	119	687,545	5,778
1983	6	3	3	42,198	129	904,271	7,010
1984	6	4	2	32,936	131	937,207	7,154
1985	15	5	10	166,787	141	1,103,994	7,830
1986	10	3	7	119,451	148	1,223,445	8,267
1987	7	2	5	72,350	153	1,295,794	8,469
1988	13	8	5	92,514	158	1,388,308	8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	9	126 #	(117)	(2,583,596)	112	1,571,539	14,032
2001	11	5	6	445,871	118	2,017,410	17,097
2002	15	12	3	175,152	121	2,192,562	18,120
2003	5	10	(5)	(18,398)	116	2,174,164	18,743
2004	5	4	1	140,941	117	2,315,105	19,787
2005	8	3	5	261,811	122	2,576,916	21,122
2006	3	3	0	72,714	122	2,649,630	21,718
2007	16	4	12	375,327	134	3,024,957	22,574
2008	16	4	12	452,964	146	3,477,921	23,821
2009	12	6	6	373,718	152	3,851,639	25,340
2010	17	3	14	613,661	166	4,465,300	26,899
2011	15	3	12	450,020	178	4,915,320	27,614
<b>2012</b>	<b>19</b>	<b>8</b>	<b>11</b>	<b>415,632</b>	<b>189</b>	<b>5,330,952</b>	<b>28,206</b>

\* Prior to the September 30, 2000 valuation, Public Safety members were included.

# Includes 122 Public Safety members.

# Retired Members and Beneficiaries

## Historical Comparison

Valuation Date	% Incr. in Annual Pensions**	No. of Active Per Retired		Pension Payroll as % of Active Payroll#	
		General	Ocean Rescue	General	Ocean Rescue
9/30/1975 *	17.9 %	3.7		6.7 %	
9/30/1980 *	21.6	2.5		13	
9/30/1983	4.9	2.5		11.7	
9/30/1984	3.6	2.6		11.4	
9/30/1985	17.8	2.4		13.2	
9/30/1986	10.8	2.2		13.8	
9/30/1987	5.9	2.2		14.0	
9/30/1988	7.1	2.1		14.3	
9/30/1989	10.3	2.5		11.4	
9/30/1990	13.5	2.5		10.8	
9/30/1991	8.4	2.6	3.3	10.1	25.4 %
9/30/1992	15.5	2.8	3.0	9.8	25.0
9/30/1993	7.3	2.7	3.3	10.5	23.6
9/30/1994	18.9	2.4	3.0	11.9	24.7
9/30/1995	7.2	2.3	3.3	13.4	22.5
9/30/1996	10.9	2.2	3.0	15.6	22.8
9/30/1997	3.9	2.2	3.3	15.2	20.4
9/30/1998	8.0	2.1	3.3	16.4	19.8
9/30/1999	12.3	2.0	3.3	17.1	19.1
9/30/2000	-62.2	1.9	3.3	19.4	18.3
9/30/2001	28.4	1.8	3.3	23.2	20.3
9/30/2002	8.7	1.8	1.4	22.9	40.1
9/30/2003	-0.8	1.9	1.8	20.7	38.5
9/30/2004	6.5	1.9	1.8	20.8	36.5
9/30/2005	11.3	1.8	1.8	21.9	32.8
9/30/2006	2.8	1.8	1.8	21.0	31.4
9/30/2007	14.2	1.7	1.1	22.9	57.0
9/30/2008	15.0	1.5	0.9	26.2	74.9
9/30/2009	10.7	1.4	1.1	28.0	59.0
9/30/2010	15.9	1.1	0.8	37.2	86.8
9/30/2011	10.1	1.0	0.4	42.9	155.8
<b>9/30/2012</b>	<b>8.5</b>	<b>0.8</b>	<b>0.4</b>	<b>51.9</b>	<b>151.0</b>

\* Averages for the 5 years ending with the valuation date.

# Breakdown by division not available prior to 9/30/89. Data shown under General heading is for all divisions combined prior to 9/30/89.

\*\* For the September 30, 2000 - 2010 valuations, Public Safety members are valued in a separate report.

**Retired Member and Beneficiary Data as of September 30, 2012  
by Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>General</u>		<u>Ocean Rescue</u>	
	<u>No.</u>	<u>Annual Pensions</u>	<u>No.</u>	<u>Annual Pensions</u>
Age & Service Benefits				
Straight Life	50	\$ 1,281,371	1	\$ 48,073
Joint and Survivor Benefits - Regular	64	2,483,968	5	155,027
Surviving Beneficiaries	20	281,631	0	0
DROP members	30	600,036	2	69,296
Total Age and Service Benefits	164	4,647,006	8	272,396
Duty Disability Benefits				
Straight Life	1	10,093	0	0
Surviving Beneficiaries	1	5,705	0	0
Total Duty Disability Benefits	2	15,798	0	0
Non-Duty Disability Benefits				
Straight Life	2	138,041	1	30,430
Joint and Survivor Benefits	3	110,117	0	0
Surviving Beneficiaries	4	51,411	0	0
Total Non-Duty Disability Benefits	9	299,568	1	30,430
Death-in-Service Benefits				
Non-Duty Spouse	5	65,754	0	0
Total Death-in-Service Benefits	5	65,754	0	0
<b>Totals</b>	<b>180</b>	<b>\$ 5,028,126</b>	<b>9</b>	<b>\$ 302,826</b>

**Retired Member and Beneficiary Data as of September 30, 2012  
(Includes DROP Participants)  
Tabulated by Attained Age**

<u>Attained Age</u>	<u>General</u>		<u>Ocean Rescue</u>	
	<u>No.</u>	<u>Annual Pensions</u>	<u>No.</u>	<u>Annual Pensions</u>
40 - 44	1	\$ 15,188		
45 - 49	2	32,307		
50 - 54	10	452,631	6	\$209,411
55 - 59	29	999,712		
60 - 64	34	993,401	1	30,430
65 - 69	36	1,170,382		
70 - 74	25	592,635		
75 - 79	17	394,985	2	62,985
80 - 84	15	281,801		
85 - 89	5	29,472		
90 - 94	5	53,926		
95 - 99	1	11,686		
<b>Totals</b>	<b>180</b>	<b>\$5,028,126</b>	<b>9</b>	<b>\$302,826</b>

	<u>General</u>	<u>Ocean Rescue</u>
Average Age at Retirement:	58.1 years	49.0 years
Average Age Now:	68.0	59.5

**Vested Terminated Members as of September 30, 2012**  
**Annual Estimated Pensions**  
**Tabulated by Attained Age**

Attained Age	No.	General Annual Estimated Pensions
30	1	\$ 4,064
37	1	15,442
41	1	18,159
42	1	26,390
45	1	6,552
46	1	4,586
49	2	44,854
52	4	116,130
53	1	14,626
<b>Totals</b>	<b>13</b>	<b>\$250,803</b>



## General

### Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1993	205	2		\$ 6,404,153	43.6 yrs.	9.1 yrs.	\$ 31,240
1994	200	2		6,484,548	43.8	9.3	32,423
1995	202	2		6,521,164	43.0	8.8	32,283
1996	205	2		6,624,917	42.8	8.2	32,317
1997	210	2		7,128,895	42.7	8.1	33,947
1998	214	2		7,528,503	42.9	8.1	35,180
1999	204	5		7,582,477	43.7	8.6	37,169
2000	202	6		7,760,543	44.0	8.5	38,419
2001	208	6		8,371,487	43.5	8.4	40,248
2002	206	5		9,106,367	43.9	8.4	44,206
2003	212	6		9,883,393	44.4	9.0	46,620
2004	211	7		10,517,577	44.9	9.5	49,846
2005	210	8		11,147,262	45.7	9.5	53,082
2006	216	7		11,994,303	46.3	9.9	55,529
2007	214	6		12,336,518	46.5	10.1	57,647
2008	202	7		12,366,080	46.2	10.4	61,218
2009	203	8		12,893,270	46.3	10.2	63,514
2010	175	9		11,256,751	47.1	10.7	64,324
2011	164	11		10,721,241	47.4	10.9	65,373
<b>2012</b>	<b>151</b>	<b>13</b>		<b>9,683,803</b>	<b>46.8</b>	<b>11.4</b>	<b>64,131</b>

### Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Normal/Early Retirement					Disability Retirement A	Died-in- Service A	Died-in- Service E	Withdrawal		Active Members End of Year	
		A			E	A				E	A		E
		DROP	Other	Totals									
2003	15				4.4		0.2	0.3	9	15.8	212		
2004	10	3	1	4	5.4	1	0.3	0.3	6	14.2	211		
2005	25	4	1	5	6.0	1	0.2	0.3	20	11.8	210		
2006	20	0	2	2	6.4		0.3	0.3	12	15.5	216		
2007	16	3	6	9	7.4		0.2	1 0.4	8	14.8	214		
2008	9	1	12	13	8.0		0.2	0.4	8	13.9	202		
2009	17	3	6	9	6.4		0.2	0.3	7	11.7	203		
2010	6	13	1	14	7.3	1	0.2	0.4	19	12.1	175		
2011	7	7	3	10	6.4	1	0.2	0.3	7	7.2	164		
<b>2012</b>	<b>8</b>	<b>13</b>	<b>5</b>	<b>18</b>	<b>19.9</b>		<b>0.5</b>	<b>0.2</b>	<b>3</b>	<b>6.4</b>	<b>151</b>		

A represents actual number.

E represents expected number.

## Ocean Rescue

### Active and Vested Terminated Members Included in Valuation

Valuation September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1993	10	0		\$257,970	33.0 yrs.	5.8 yrs.	\$ 25,797
1994	9	0		246,947	34.0	7.1	27,439
1995	10	0		273,547	33.7	7.4	27,355
1996	9	0		273,443	36.0	9.1	30,383
1997	10	0		307,049	35.5	9.2	30,705
1998	10	0		320,414	36.5	10.2	32,041
1999	10	0		335,155	37.5	11.2	33,516
2000	10	0		352,879	38.5	12.2	35,288
2001	10	0		380,672	38.8	12.7	38,067
2002	7	0		273,922	40.0	14.0	39,132
2003	9	0		339,703	39.0	11.9	37,745
2004	9	0		359,342	40.0	12.9	39,927
2005	9	0		404,910	41.0	13.9	44,990
2006	9	0		427,989	42.0	14.9	47,554
2007	8	0		360,242	39.9	12.5	45,030
2008	7	0		321,053	39.8	12.5	45,865
2009	9	0		410,292	37.7	10.6	45,588
2010	7	0		323,298	38.0	10.8	46,185
2011	4	0		204,927	41.3	14.6	51,232
<b>2012</b>	<b>4</b>	<b>0</b>		<b>200,577</b>	<b>42.4</b>	<b>15.6</b>	<b>50,144</b>

### NUMBER ADDED TO AND REMOVED FROM ACTIVE MEMBERSHIP

Year Ended Sept. 30	Number Added During Year	Retirement				Disability		Died-in-		Withdrawal		Active Members End of Year
		A				Retirement		Service				
		DROP	Other	Totals	E	A	E	A	E	A	E	
2003	2									0.1	9	
2004					0.5					0.3	9	
2005					0.5					0.2	9	
2006					0.5	0.1		0.2		0.2	9	
2007	1	2		2	1.0	0.0		0.0		0.2	8	
2008			1	1	0.5	0.0		0.0		0.2	7	
2009	2			0	0.3	0.0		0.0		0.2	9	
2010		1		1	0.3	0.0		0.0	1	0.4	7	
2011		1		1	0.3	0.0		0.0	2	0.3	4	
<b>2012</b>				<b>0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.1</b>	<b>4</b>	

*A represents actual number.*

*E represents expected number.*

**General**  
**By Near Age and Years of Service**

Near Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	4	4						8	\$ 298,648
30-34	3	3	3					9	549,203
35-39	3	7	6	4				20	1,112,631
40-44	5	3	5	6	1			20	1,373,659
45-49	3	6	8	5	4			26	1,663,142
50-54	7	9	10	5	5	5		41	2,811,152
55-59	3	2	3	6	1			15	1,140,706
60-64	2	1	3	2	1			9	542,121
65-69		1		2				3	192,541
<b>Totals</b>	<b>30</b>	<b>36</b>	<b>38</b>	<b>30</b>	<b>12</b>	<b>5</b>		<b>151</b>	<b>\$9,683,803</b>

## Ocean Rescue

### By Near Age and Years of Service

Near Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
35-39			1					1	\$ 45,880
40-44				1	1			2	106,915
45-49		1						1	47,782
<b>Totals</b>		<b>1</b>		<b>1</b>	<b>1</b>			<b>4</b>	<b>\$200,577</b>

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## **SECTION C**

### **CERTAIN DISCLOSURES REQUIRED BY STATEMENT NO. 25 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

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**This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.**

**GASB Statement No. 25**  
**Required Supplementary Information**  
**(\$ Amounts in Thousands)**

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 53,798	\$56,652	95.0 %	\$ 2,854	\$ 10,223	27.9 %
2004	56,298	61,842	91.0	5,544	10,877	51.0
2005	59,589	67,882	87.8	8,293	11,552	71.8
2006	64,608	73,054	88.4	8,446	12,422	68.0
2007	72,161	77,632	93.0	5,471	12,697	43.1
2008	73,732	83,758	88.0	10,026	12,687	79.0
2009	72,370	89,658	80.7	17,288	13,304	129.9
2010	73,809	93,147	79.2	19,338	11,580	167.0
2011 (a)	74,247	82,974	89.5	8,727	10,926	79.9
<b>2012 (a)</b>	<b>72,393</b>	<b>90,681</b>	<b>79.8</b>	<b>18,288</b>	<b>9,884</b>	<b>185.0</b>

**Schedule of Employer Contributions**

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll#	Actual Dollar Contribution#	Percentage Contributed#
2003	11.04 (a)	\$ 1,047	\$ 952	100 %
2004	15.88	1,614	1,523	100
2005	16.94	1,876	1,784	100
2006	17.86	2,105	2,008	100
2007	19.29	2,415	2,417	100
2008	19.43	2,615	2,615	100
2009	17.59	2,420	2,420	100
2010	19.03	2,616	2,616	100
2011	21.33	3,075	3,075	100
2012	7.72 (a)	955	811	100
2013	12.84 (a)	1,349		
<b>2014</b>	<b>19.16 (a)</b>	<b>1,994</b>		

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

\* Beginning with valuation date September 30, 2000, excludes Public Safety members.

# In years where the computed contribution exceeds the actual contribution, the difference was funded by the Reserve for Employer Contributions.

## GASB Statement No. 25 Required Supplementary Information

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 follows:

Valuation date	September 30, 2012
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization periods*	19-30 years
Asset valuation method	5-year smoothed market
<b>Actuarial assumptions</b>	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.7%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2012, the date of the latest actuarial valuation:

	<u>General</u>	<u>Ocean Rescue</u>	<u>Totals</u>
Retirees and beneficiaries receiving benefits	180	9	189
Terminated plan members entitled to but not yet receiving benefits	13	0	13
Active plan members			
Vested	85	3	88
Non-vested	66	1	67
<b>Totals</b>	<b>344</b>	<b>13</b>	<b>357</b>

\* The periods are in compliance with Florida Statutes and Actuarial Standards of Practice.

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**SECTION D**

STATE REQUIRED DATA

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## Actuarial Present Value of Future Benefits

	September 30, 2012				September 30, 2011	
	Assumption Change		Before		General	Ocean Rescue
	General	Ocean Rescue	General	Ocean Rescue		
(i) Actuarial present value of active member benefits:						
Service retirement	\$ 28,061	\$ 1,245	\$ 26,731	\$ 1,186	\$ 28,420	\$ 935
Vested termination benefits	301	8	289	7	248	10
Disability retirement	1,152	44	1,144	44	1,027	42
Survivor benefits (pre-retirement)	991	33	983	33	854	31
Termination benefits - refunds	41	0	41	0	34	0
Totals	30,546	1,331	29,188	1,270	30,583	1,018
(ii) Actuarial present value of terminated vested members	2,228	0	2,077	0	2,181	0
(iii) Actuarial present value of retired members & beneficiaries	58,833	3,815	56,327	3,638	51,356	3,715
(iv) Reserves	615	0	615	0	619	1
(v) Total actuarial present value of future benefit payments	92,222	5,146	88,208	4,908	84,739	4,734
(vi) Present value of active member future payroll	100,021	2,319	104,557	2,433	97,187	2,377
(vii) Present value of future active member contributions	2,867	84	2,991	88	2,820	88
(viii) Active member accumulated contributions	6,814	218	6,814	218	7,513	211
(ix) Actuarial accrued liability using projected unit credit funding method	66,702	4,302	63,867	4,102	57,575	4,147

## Summary of Valuation Results in State Format (\$ Amounts in thousands)

	September 30, 2012				September 30, 2011	
	Assumption Change		Before		General	O.R.
	General	O.R.	General	O.R.		
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)						
(i) Vested accrued benefits						
Retired members and beneficiaries	\$ 58,833	\$ 3,815	\$ 56,327	\$ 3,638	\$ 51,356	\$ 3,715
Terminated members	2,228	-	2,077	-	2,181	-
Active members (includes non-forfeitable accum. member contributions)	20,982	1,054	19,316	979	21,530	635
Total	82,043	4,869	77,720	4,617	75,067	4,350
(ii) Non-vested accrued benefits	7,938	28	8,150	28	-	-
(iii) Total actuarial p.v. of accrued benefits	89,981	4,897	85,870	4,645	75,067	4,350
(iv) Actuarial p.v. of accrued benefits at begin. of year	75,067	4,350	75,067	4,350	68,627	4,045
(v) Changes attributable to:						
Amendments	-	-	-	-	-	-
Assumption change	4,111	252	-	-	(130)	62
Operation of decrements	15,579	607	15,579	607	10,882	533
Benefit payments	(4,776)	(312)	(4,776)	(312)	(4,312)	(290)
Expenses	-	-	-	-	-	-
(vi) Net change	14,914	547	10,803	295	6,440	305
(vii) Actuarial p.v. of accr. benefits at end of year	89,981	4,897	85,870	4,645	75,067	4,350
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate						
(i) Vested	\$ 79,871	\$ 4,738	\$ 79,792	\$ 4,739	\$ 78,071	\$ 4,356
(ii) Non-Vested	7,492	27	8,641	28	0	0
(iii) Total	87,363	4,765	88,433	4,767	78,071	4,356
(iv) Market Value of Assets (MVA)	69,571	3,208	69,571	3,208	61,781	2,935
(v) Funded Ratio Using FRS Interest Rate and MVA	79.63%	67.32%	78.67%	67.28%	79.13%	67.38%

## Reconciliation of Membership Data

<b>A. Active Members</b>	<b>General</b>	<b>Ocean Rescue</b>
1. Number Included in Last Valuation	164	4
2. New Members Included in Current Valuation	8	
3. Non-Vested Employment Terminations		
4. Vested Employment Terminations	(3)	
5. Service Retirements	(5)	
6. DROP Retirements	(13)	
7. Disability Retirements		
8. Deaths		
9. Other (Transfer)		
10. Number Included in This Valuation	151	4
<b>B. Terminated Vested Members</b>		
1. Number Included in Last Valuation	11	0
2. Additions from Active Members	3	
3. Lump Sum Payments		
4. Payments Commenced	(1)	
5. Deaths		
6. Other		
7. Number Included in This Valuation	13	0
<b>C. Service Retirees, Disability Retirees and Beneficiaries</b>		
1. Number Included in Last Valuation	168	10
2. Additions from Active Members	18	
3. Additions from Terminated Vested Members	1	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(7)	(1)
5. Added (Beneficiaries/Data Corrections)		
6. Number Included in this Valuation	180	9

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2012**

**GENERAL**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
52	1		
55	2		
56	4	1	
57	5		
58	1		
59	7	1	
60	6	3	
61	3	2	
62	2	2	
63	2	2	
65	2		
68	2	1	1
69	1	1	
<b>Totals</b>	<b>38</b>	<b>13</b>	<b>1</b>

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2012**

**OCEAN RESCUE**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**SECTION II**  
POLICE OFFICERS

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**Report of September 30, 2012 Actuarial Valuation**

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4	Contribution Comparative Statement
5-6	Funding Progress Indicators
7	Experience Gain/(Loss)
8	Funding Value of Assets
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## **SECTION A**

### DETAILED VALUATION RESULTS

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**Contributions To Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2013  
To be Contributed During the Fiscal Year Beginning October 1, 2013**

<b>Contributions for</b>	<b>Contributions Expressed as Percents of UnDROPEd Active Member Payroll</b>
<b>Normal Cost</b>	
Service pensions	5.05 %
Disability pensions	1.60
Death in service pensions	0.80
Deferred service pensions	0.52
Refunds of member contributions	0.46
Total Normal Cost	8.43
<b>Unfunded Actuarial Accrued Liability (1)</b>	
Retired members and beneficiaries	0.00
Active and vested terminated members	34.44
Total Unfunded Actuarial Accrued Liability	34.44
Administrative Expenses	4.28
Total Unadjusted Computed Contribution	47.15
<b>Adjustments to Computed Contribution</b>	
FS 112.64(5) Compliance	0.00
Town funding for additional premium tax revenue shortfall in prior fiscal year	0.00
Full funding credit	0.00
Total adjustments	0.00
<b>Total Adjusted Contribution Requirement</b>	<b>47.15</b>
Member portion	5.01
Town portion	42.14

*(1) Please refer to page A-10 for a schedule of financing periods.*

FS 112.64 requires that Town contributions be deposited not less frequently than quarterly. FS185.11 requires that Chapter 185 monies be deposited within 5 days of receipt from the State. Member contributions, which are in addition to the Public contributions, must be deposited immediately after each pay period.

Comparative contribution amounts for prior fiscal years are shown on page A-4.

**Chapter 99-1, Laws of Florida  
Minimum Compliance and Extra Benefits – Chapter 185**

	<u>Prior Year</u>	<u>Cumulative</u>
A. Additional premium tax revenues as of 9/30/11	\$118,579	
B. Chapter 185 receipts during fiscal year ending 9/30/12	229,923	\$3,032,132
C. Chapter 185 "frozen" receipts during fiscal year ending 9/30/12	165,389	2,315,446
D. Qualifying benefit improvements since Chapter 99-1 effective date	124,574	\$1,118,710
E. Additional premium tax revenues as of 9/30/2012 A + [ B - C - D, not less than 0 ]	118,579	0

**BENEFITS ADOPTED**

**Minimum Compliance**

A. 10 year certain & life normal form (\$9,168 per year).

**Extra Benefits**

A. 3.25% multiplier, 20 & out (\$115,406 per year), 3.5% multiplier is funded by Town.

## Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. The Florida Division of Retirement has indicated the legislative intent in Section 112.61, F.S., is to apply the Town portion of the contribution requirement on page A-1 to emerging payroll. To accomplish this, the Town should contribute dollar amounts at the end of each payroll period which are equal to the percent-of-payroll contribution requirement multiplied by the unDROPed active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll amounts that are covered compensation.

Illustrative Only. Included in these amounts is the projected salary increase between the valuation date and the fiscal year in which the contribution will be made. The projection factor used was 1.052957,  $(1.035^{1.5})$ , which is consistent with the projection used to calculate actuarial liability.

<b>Total Public Contribution Requirement</b>	<b>\$1,881,949</b>
<b>Chapter 185 Premium "frozen"</b>	-
<b>Funding from Add. Premium Tax Revenue</b>	-
<b>Illustrative Base Town Contribution</b>	<b>\$1,881,949</b>

The above amounts are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.60% (.0060) for each month of delay.

## Recommended and Actual Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions*
84/85	1983	22.46 %
85/86	1984	21.99
86/87 (a)	1985	22.23
87/88	1986	21.58
88/89 (a)	1987	23.35
89/90	1988	23.34
90/91	1989	22.56
91/92 (a)	1990	25.00
92/93	1991	24.98
93/94	1992	25.35
94/95 (a)	1993	27.74
95/96	1994	28.24
96/97 (a)	1995	30.60
97/98	1996	29.03
98/99	1997	28.91
99/00 (a)	1998	25.97
00/01 (a)	1999	22.37
01/02 (a)	2000	12.71
02/03 (a)	2001	19.34
03/04	2002	30.74
04/05	2003	33.09
05/06 (a)	2004	35.36
06/07 (a)	2005	42.25
07/08	2006	41.47
08/09	2007	40.32
09/10	2008	43.30
10/11	2009	45.56
11/12	2010	19.98
12/13 (a)	2011	25.04
<b>13/14</b>	<b>2012</b>	<b>35.40</b>
<b>13/14 (a)</b>	<b>2012</b>	<b>42.14</b>

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

\* Contributions were not calculated separately for Police and Fire prior to the 9/30/89 actuarial valuation.

## Funding Progress Indicators

We believe an understanding of funding progress and status can be achieved using the following measures:

*Indicator (1)* **The actuarial present value of gains or losses realized in the operation of the Retirement System** - an experience indicator. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) but sizable year-to-year fluctuations are common. An experience gain can result from assets increasing in value by more than anticipated by the funding program, or by the actuarial accrued liability increasing by less than anticipated by the funding program, or by other favorable combinations of deviation from expected asset and liability changes. Further details on the derivation of the gain (loss) are shown on page A-7.

*Indicator (2)* **The ratio of the funding value of assets to the actuarial accrued liability** measured in accordance with GASB Statement No. 5 prior to the September 30, 1997 valuation and GASB Statement No. 25 beginning with the September 30, 1997 valuation. The ratio is expected to increase over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

*Indicator (3)* **The ratio of the unfunded actuarial accrued liability to active member payroll** - an inflation adjusted funding level indicator. In a soundly financed Retirement System, the amount of the unfunded actuarial accrued liability will be controlled and prevented from increasing in the absence of benefit improvements. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

**Funding Progress Indicators - Historical Comparisons**  
(\$ amounts in thousands)

Valuation Date September 30	Indicator (1)		Indicator (2)		Indicator (3)		
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1993 (a)	\$ 2,632	\$ 57,089	\$61,692	93 %	\$ 4,603	\$ 12,443	37 %
1994	674	62,651	66,474	94	3,823	12,415	31
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000 (a)@	6,214	81,196	69,425	117	(11,771)	6,230	--
2001 (a)@	(3,133)	91,992	82,361	112	(9,631)	7,064	--
2002	(11,845)	86,446	88,991	97	2,545	7,769	33
2003	(3,088)	88,091	94,991	93	6,900	8,558	81
2004 (a)&	(1,390)	46,386	51,605	90	5,219	5,070	103
2005 (a)	(330)	48,656	56,996	85	8,340	5,348	156
2006	631	52,614	60,835	86	8,220	5,769	142
2007	2,937	58,486	63,742	92	5,256	5,334	99
2008	(2,075)	61,668	68,525	90	6,857	5,309	129
2009	(4,392)	63,000	74,257	85	11,257	6,187	182
2010	(876)	64,079	76,694	84	12,614	6,043	209
2011 (a)	(420)	63,554	72,421	88	8,866	5,222	170
<b>2012</b>	<b>(6,094)</b>	<b>61,028</b>	<b>75,777</b>	<b>81</b>	<b>14,749</b>	<b>4,241</b>	<b>348</b>
<b>2012 (a)</b>	<b>(6,094)</b>	<b>61,028</b>	<b>80,129</b>	<b>76</b>	<b>19,101</b>	<b>4,241</b>	<b>450</b>

(a) After changes described in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

# GASB Statement No. 25 basis.

@ Excludes General and Lifeguard members (shown in separate report beginning 9/30/2000).

& Excludes Fire members (shown in separate report beginning 9/30/2004).

AAL represents actuarial accrued liability. Measured in accordance with GASB Statement No. 5 prior to 1997 and GASB Statement No. 25 beginning in 1997.

**Experience Gain/(Loss)  
Year Ended September 30, 2012**

**DERIVATION**

(1) UAAL at start of year	\$8,866,490
(2) Employer Normal cost for year	349,062
(3) Employer contributions	1,234,840
(4) Interest accrued .08 x [(1) + 1/2 ((2)-(3))]	673,888
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	8,654,600
(6) Effect of accounting/timing differences	0
(7) Effect of assumption/method changes	4,351,987
(8) Effect of benefit changes	0
(9) Addition to supplemental pension reserve	0
(10) Expected UAAL after changes	13,006,587
(11) Actual UAAL	19,100,682
(12) Gain/(loss) (10) - (11)	(6,094,095)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2011	2012	2013	2014	2015	2016
A. Funding Value Beginning of Year	\$ 64,079,418	\$ 63,554,283				
B. Market Value End of Year	54,154,099	58,114,391				
C. Market Value Beginning of Year	55,461,520	54,154,099				
D. Non-Investment Net Cash Flow	(1,520,399)	(3,083,100)				
E. Investment Income						
E1. Market Total: B - C - D	212,978	7,043,392				
E2. Amount for Immediate Recognition at 8.0%	5,065,537	4,961,019				
E3. Amount for Phased-In Recognition: E1 - E2	(4,852,559)	2,082,373				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	(970,512)	416,475				
F2. First Prior Year	(236,395)	(970,512)	\$ 416,475			
F3. Second Prior Year	(1,195,609)	(236,395)	(970,512)	\$ 416,475		
F4. Third Prior Year	(2,417,736)	(1,195,609)	(236,395)	(970,512)	\$ 416,475	
F5. Fourth Prior Year	749,979	(2,417,734)	(1,195,611)	(236,393)	(970,511)	\$ 416,473
F6. Adjustment to Recognize 20% Corridor	0	0				
F7. Total Recognized Investment Gain/(Loss)	(4,070,273)	(4,403,775)	(1,986,043)	(790,430)	(554,036)	416,473
G. Accelerated Recognition of Investment Income						
H. Funding Value End of Year: A + D + E2 + F7 Not to Exceed 120% of Market Value	63,554,283	61,028,427				
I. Difference between Market & Funding Value	(9,400,184)	(2,914,036)				
J. Recognized Rate of Return	1.57%	0.90%				
K. Recognized Rate of Investment Expenses	0.38%	0.34%				

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, the Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, the Funding Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to Market Value.



## Unfunded Actuarial Accrued Liability as of September 30

	<u>2012</u>	<u>2011</u>
A. Actuarial present value of future benefits	\$84,197,218	\$77,010,343
B. Actuarial present value of future normal costs	4,068,109	4,589,570
C. Actuarial accrued liability	80,129,109	72,420,773
D. Actuarial value of assets	61,028,427	63,554,283
E. Unfunded actuarial accrued liability	19,100,682	8,866,490
F. Funded ratio	76.2%	87.8%

## Sources and Financing of Unfunded Actuarial Accrued Liability

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	15	14		\$ 11,802,014	10.862755	\$ 1,086,466	25.18 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	28	\$ 876,056	915,022	17.251100	53,041	1.23	0.00
2011	30	29	420,131	428,912	17.590482	24,383	0.57	0.00
2012	30	30	6,094,095	6,094,095	17.917236	340,125	7.88	0.00
<b>Benefit Changes</b>								
2010	30	28	(4,060,736)	(4,241,354)	17.251100	(245,860)	(5.70)	0.00
<b>Assumption/Method Changes</b>								
2010	30	28	(611,648)	(638,854)	17.251100	(37,033)	(0.86)	0.00
2011	30	29	380,899	388,860	17.590482	22,106	0.51	0.00
2012	30	30	4,351,987	4,351,987	17.917236	242,894	5.63	0.00
<b>Totals</b>				<b>\$ 19,100,682</b>		<b>\$ 1,486,122</b>	<b>34.44</b>	<b>0.00</b>

\* With the adoption of new economic assumptions, consultation with the Town on its budgeted payroll projections, and the Town's policy of contributing on a projected dollar basis using 3.5% wage inflation, this embeds the dollar contribution shown above adjusted to the appropriate fiscal year in the Town's contribution requirement.

# Actuarial Balance Sheet – September 30, 2012

## Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net assets from System financial statements (market value)	\$58,114,391
2. Funding value adjustment	<u>2,914,036</u>
3. Funding value of assets	61,028,427
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For normal costs	1,190,515
2. For unfunded actuarial accrued liability	<u>19,100,682</u>
3. Totals	20,291,197
C. Actuarial Present Value of Expected Future Member Contributions	<u>2,877,594</u>
D. Total Present and Expected Future Resources	<u><u>\$84,197,218</u></u>

## Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirants and beneficiaries	\$62,277,076
B. To vested terminated members	764,747
C. To present active members:	
1. Allocated to service rendered prior to valuation date	16,317,219
2. Allocated to service likely to be rendered after valuation date	<u>4,068,109</u>
3. Totals	20,385,328
D. Reserve for Additional Premium Tax Revenues	118,579
E. Reserve for Employer Contributions	651,488
F. Reserve for supp. pens. dist. - 13th check	0
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$84,197,218</u></u>

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## **SECTION B**

**SUMMARY OF BENEFIT PROVISIONS AND  
VALUATION DATA SUBMITTED BY THE  
RETIREMENT SYSTEM**

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## Summary of Benefit Provisions (September 30, 2012)

### **NORMAL RETIREMENT:**

#### **Eligibility**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

20 or more years of service, regardless of age; or, age 50 with 10 or more years of credited service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

##### ***New Plan benefits accrued after April 30, 2012.***

Age 65 with 10 or more years of service.

#### **Pension Amount**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

Average final compensation multiplied by the greater of:

- a) 3.5% per year of credited service to a maximum of 25 years, or
- b) 2.0% per year of credited service to a maximum of 50 years.

##### ***New Plan benefits accrued after April 30, 2012.***

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death after Retirement heading.

#### **Average Final Compensation**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

Highest 2 consecutive years within the member's last 5 years of credited service.

##### ***New Plan benefits accrued after April 30, 2012.***

Average compensation after April 30, 2012 over a period increasing up to the final 5 years of credited service by April 30, 2017.

### **DROP RETIREMENT:**

**Eligibility** – Same as Normal Retirement, election must be made within 7 years of the date the member first reaches normal retirement eligibility.

**Pension Amount** – 100% of the member's accrued benefit at the date of election to participate in DROP.

**Distributions** – Monthly amounts are paid from the Retirement System into self directed member accounts.

**DEFERRED RETIREMENT (VESTED TERMINATION BENEFIT):**

**Eligibility** - 10 or more years of credited service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately.

**Pension Amount** - Computed as for normal retirement, based upon service and average final compensation at time of termination.

**DUTY DISABILITY RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

**NON-DUTY DISABILITY BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - Computed as for normal retirement.

**DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or an equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retirant's AFC and the aggregate amount paid to children for the month.

**NON-DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

**AUTOMATIC DEATH AFTER RETIREMENT PENSION:**

*Grandfathered and April 30, 2012 frozen accrued benefits.*

**To Surviving Child(ren):** 25% of the retirants pension payable to age 18, not to exceed an equal share of 75% of the retirants pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

**To Surviving Spouse:** The difference, if any, between 75% of the deceased retirants pension and the aggregate amount paid to any surviving children for the month.

*New Plan benefits accrued after April 30, 2012.*

Reduced optional forms of payment are available.

**POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS:**

*Grandfathered and April 30, 2012 frozen accrued benefits.*

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

*New Plan benefits accrued after April 30, 2012.*

None.

**SUPPLEMENTAL PENSION DISTRIBUTION:**

Amount determined on investment return, if any, after expenses, between 8.0% and 10.0% of assets, subject to accumulated gains/(losses) limitation.

**MEMBER CONTRIBUTIONS:**

<b>Benefit Group</b>	<b>Contribution Rate as a Percent of Payroll</b>	
	<b>Before May 1, 2012</b>	<b>On and After May 1, 2012</b>
Police Officer	6.98%	4.98%

**PREMIUM TAX MONIES:**

No future State contributions are expected.

**TOWN CONTRIBUTIONS:**

Actuarially determined amounts which together with member contributions are sufficient to cover the requirements of the funding objective stated in the Executive Summary.

**PRIOR GOVERNMENTAL SERVICE ELSEWHERE:**

During the first five years of employment by the Town, the years or fractional parts of years that a member previously served for any other municipal, county, or state government or district may be added to years or fractional parts of years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

**PURCHASE OF SERVICE CREDIT:**

A vested member who has not purchased service credit under Prior Governmental Service elsewhere may purchase years or fractional parts of years of service to be added to years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

## Summary of Assets (Market Value)

	September 30, 2012	September 30, 2011
Cash	\$ 899,454	\$ 1,941,532
Accrued interest and dividends	43,603	60,937
Other receivables	0	608,362
Investments		
- US government securities	1,755,811	1,352,291
- Corporate bonds and notes	2,191,600	7,387,734
- Domestic fixed income funds	10,281,666	4,121,759
- Common stock	5,755,034	4,820,728
- Equities and equity funds	33,523,973	29,970,712
- Inflation hedging funds	4,298,700	4,491,822
Accounts payable	(690,064)	(609,874)
Other	54,614	8,096
<b>Total Assets</b>	<b>\$58,114,391</b>	<b>\$54,154,099</b>



# Accounting Information Utilized for Valuation

## REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>September 30, 2012</u>	<u>Year Ended</u> <u>September 30, 2011</u>
<b>Revenues:</b>		
a. Member contributions	\$ 323,938	\$ 387,938
b. Town contributions	1,004,917	2,286,245
c. State contributions (Chapter 185)	229,923	210,019
d. Investment income		
1. Interest and Dividends	489,087	557,619
2. Amortization of premiums/discounts	-	-
3. Gain or (loss) on sales	6,764,243	(105,932)
e. Other - Transfer from Old Public Safety Fund	16,000	-
f. Total revenues	<u>8,828,108</u>	<u>3,335,889</u>
<b>Expenditures:</b>		
a. Refunds of member contributions	32,529	83,054
b. Benefits paid	4,443,665	4,138,445
c. Supplemental pension distribution	-	-
d. Administrative expenses	181,684	183,102
e. Investment expenses	209,938	238,709
f. Total expenditures	<u>4,867,816</u>	<u>4,643,310</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u>\$ 3,960,292</u>	<u>\$ (1,307,421)</u>

## Accounting Information Submitted for Valuation

### RESERVE ACCOUNTS\*

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Employees' contributions (Members' Saving Fund):	\$ 2,890,039	\$ 534,051
Employer contributions (Employer Reserve Fund):	(7,817,471)	(2,321,838)
Retired members and beneficiaries (Retirement Reserve Fund):	62,277,076	55,775,417
Inactive members (Deferred Retirement Fund):	<u>764,747</u>	<u>166,469</u>
Total	\$ 58,114,391	\$ 54,154,099

\* After transfers in accordance with Section 82-82(b) of Retirement Ordinance (please refer to page 7). All reserve accounts are available for funding.

## Retired Member and Beneficiary Data

### Historical Schedule\*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1988	13	8	5	\$ 92,514	158	\$ 1,388,308	\$ 8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	16	110 #	(94)	(861,467)	135	3,293,668	24,398
2001	12	9	3	215,455	138	3,509,123	25,428
2002	8	3	5	269,507	143	3,778,630	26,424
2003	1	2	(1)	100,315	142	3,878,945	27,317
2004	4	3	1	172,906	68	1,968,093	28,943
2005	4	1	3	247,724	71	2,215,817	31,209
2006	3	1	2	257,450	73	2,473,267	33,880
2007	7	2	5	503,946	78	2,977,213	38,169
2008	5	2	3	389,364	81	3,366,577	41,563
2009	3	2	1	159,740	82	3,526,317	43,004
2010	2	0	2	172,503	84	3,698,820	44,034
2011	9	5	4	602,812	88	4,301,632	48,882
<b>2012</b>	<b>7</b>	<b>1</b>	<b>6</b>	<b>306,760</b>	<b>94</b>	<b>4,608,392</b>	<b>49,025</b>

\* Prior to the September 30, 2000 valuation, General members were included. Prior to the September 30, 2004 valuation, Fire members were included.

# Includes 107 General members.

## Retired Members and Beneficiaries

### Historical Comparison

Valuation Date**	% Incr. in Annual Pensions	No. of Active Per Retired	Pension Payroll as % of Active Payroll
9/30/1993	7.3 %	1.3	25.2 %
9/30/1994	18.9	1.2	29.7
9/30/1995	7.2	1.2	32.3
9/30/1996	10.9	1.3	29.5
9/30/1997	3.9	1.4	29.2
9/30/1998	8.0	1.5	27.9
9/30/1999	12.3	1.3	30.8
9/30/2000	(20.7)	1.0	42.9
9/30/2001	6.5	1.0	39.4
9/30/2002	7.7	1.0	38.6
9/30/2003	2.7	1.0	38.1
9/30/2004	(49.3)	1.0	38.8
9/30/2005	12.6	1.0	41.4
9/30/2006	11.6	1.0	42.9
9/30/2007	20.4	0.9	55.8
9/30/2008	13.1	0.8	63.4
9/30/2009	4.7	0.9	57.0
9/30/2010	4.9	0.8	61.2
9/30/2011	16.3	0.7	82.4
<b>9/30/2012</b>	<b>7.1</b>	<b>0.5</b>	<b>108.7</b>

\*\* For the September 30, 2000 - 2012 valuations, General and Lifeguard members are valued in a separate report. For the September 30, 2004 – 2012 valuations, Fire members are valued in a separate report.

**Retired Member and Beneficiary Data as of September 30, 2012  
by Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
<b>Age &amp; Service Benefits</b>		
Straight Life	13	\$ 859,597
10 Year Certain	23	1,560,972
Joint and Survivor Benefits - Regular	29	980,932
Surviving Beneficiaries	11	170,253
Total Age and Service Benefits	76	3,571,754
<b>Duty Disability Benefits</b>		
Straight Life	0	0
10 Year Certain	0	0
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	8,504
Total Duty Disability Benefits	1	8,504
<b>Non-Duty Disability Benefits</b>		
Straight Life	0	0
10 Year Certain	1	51,271
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	15,082
Total Non-Duty Disability Benefits	2	66,353
<b>Death-In-Service Benefits</b>		
Non-Duty Spouse	1	40,265
Total Death in Service Benefits	1	40,265
<b>Active DROP Members</b>	14	921,516
<b>Totals</b>	<b>94</b>	<b>\$ 4,608,392</b>

**Retired Member and Beneficiary Data as of September 30, 2012  
(Includes DROP Participants)  
Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Pensions</b>
25 - 29	1	\$ 40,265
35 - 39	1	51,271
40 - 44	1	82,158
45 - 49	8	652,381
50 - 54	15	1,251,971
55 - 59	16	891,498
60 - 64	8	288,250
65 - 69	8	352,769
70 - 74	18	700,802
75 - 79	9	163,822
80 - 84	5	72,575
85 - 89	1	7,387
90 - 94	2	20,852
95 - 99	1	32,391
<b>Totals</b>	<b>94</b>	<b>\$4,608,392</b>

Average Age at Retirement: 49.7 years

Average Age Now: 63.9

**Vested Terminated Members as of September 30, 2012**  
**Annual Estimated Pensions**

**Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Estimated Pensions</b>
24	1	\$ 6,825
27	3	28,230
36	1	18,089
37	1	24,604
38	1	41,338
42	1	23,802
<b>Totals</b>	<b>8</b>	<b>\$142,888</b>

## Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1998	76	3		\$3,718,805	37.2 yrs.	9.7 yrs.	\$48,932
1999	69	3		3,678,581	38.7	10.8	53,313
2000	60	2		3,444,812	38.0	10.1	57,414
2001	62	2		3,959,149	37.8	10.0	63,857
2002	66	2		4,454,577	37.9	9.4	67,494
2003	67	2		4,713,181	38.5	10.0	70,346
2004	70	2		5,069,790	38.3	9.6	72,426
2005	72	1		5,347,947	38.8	9.6	74,277
2006	74	2		5,769,134	38.9	9.0	77,961
2007	71	2		5,333,625	38.9	8.7	75,121
2008	65	2		5,309,135	39.6	8.8	81,679
2009	70	1		6,186,737	39.1	8.5	88,382
2010	68	1		6,043,273	39.9	9.3	88,872
2011	60	1		5,221,806	40.1	9.0	87,030
<b>2012</b>	<b>47</b>	<b>8</b>		<b>4,241,336</b>	<b>40.6</b>	<b>10.3</b>	<b>90,241</b>

## Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Retirement				Disability Retirement A	Died-in- Service A	Died-in- Service E	Withdrawal		Active Members End of Year
		DROP	Other	Totals	E				A	E	
2003	3		1	1	6.2	0.1	0.1	1	2.8	67	
2004	6	1	1	2	9.7	0.1	0.1	1	2.5	70	
2005	7	0	2	2	9.4	0.1	0.1	3	2.8	72	
2006	10	1	2	3	9.7	0.1	0.1	5	2.9	74	
2007	4	3	2	5	10.7	0.1	0.1	2	3.3	71	
2008	4	1	4	5	9.1	0.1	0.1	5	3.0	65	
2009	11	1	0	1	6.5	0.1	0.1	5	2.6	70	
2010	1	1	0	1	6.5	0.1	0.1	2	2.9	68	
2011	0	7	0	7	9.0	1	0.1	0.1	2.2	60	
<b>2012</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>6.1</b>		<b>0.1</b>	<b>0.1</b>	<b>7</b>	<b>47</b>	

*A represents actual number.*

*E represents expected number.*



## Active Member Data as of September 30, 2012

### by Near Age and Years of Service

Near Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	5	1						6	\$ 386,816
30-34	1	4						5	355,345
35-39	1	2	3	1				7	639,405
40-44	1	3	5	5				14	1,368,926
45-49		3	5	2	1			11	1,117,801
50-54		2		1				3	293,501
60+		1						1	79,542
<b>Totals</b>	<b>8</b>	<b>16</b>	<b>13</b>	<b>9</b>	<b>1</b>			<b>47</b>	<b>\$4,241,336</b>

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## **SECTION C**

### **CERTAIN DISCLOSURES REQUIRED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

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**This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.**

**GASB Statement No. 25**  
**Required Supplementary Information**  
(\$ Amounts in Thousands)

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 88,091	\$94,991	92.7	\$ 6,900	\$8,558	80.6 %
2004 (a)	46,386	51,605	89.9	5,219	5,070	102.9
2005 (a)	48,656	56,996	85.4	8,340	5,348	155.9
2006	52,614	60,835	86.5	8,221	5,769	142.5
2007	58,486	63,742	91.8	5,256	5,334	98.5
2008	61,668	68,525	90.0	6,857	5,309	129.2
2009	63,000	74,257	84.8	11,257	6,187	181.9
2010	64,079	76,694	83.6	12,615	6,043	208.8
2011 (a)	63,554	72,421	87.8	8,867	5,222	169.8
<b>2012 (a)</b>	<b>61,028</b>	<b>80,129</b>	<b>76.2</b>	<b>19,101</b>	<b>4,241</b>	<b>450.4</b>

**Schedule of Employer Contributions\***

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll	Actual Dollar Contribution	Percentage Contributed
2004 #	32.32 %	\$2,721	\$2,510	100 %
2005	34.73	1,690	1,622	100
2006 (a)	35.36	1,943	2,010	100
2007 (a)	42.25	2,382	2,399	101
2008	41.47	2,593	2,596	100
2009	40.32	2,330	2,330	100
2010	43.30	2,491	2,491	100
2011	45.56	3,054	2,496	100
2012 (a)	19.98	1,290	1,235	100
2013 (a)	25.04	1,257		
<b>2014 (a)</b>	<b>42.14</b>	<b>1,882</b>		

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

\* Beginning with valuation date September 30, 2000, excludes General and Ocean Rescue members.  
Beginning with valuation date September 30, 2004, excludes Fire members.

# The difference between the computed contribution and the actual contribution was funded by the Reserve for Employer Contributions.

## GASB Statement No. 25 Required Supplementary Information

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 follows:

Valuation date	September 30, 2012 (Sixty-Sixth)
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization period*	14-30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.7%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	94
Terminated plan members entitled to but not yet receiving benefits	8
Active plan members	
Vested	23
Non-vested	24
	24
<b>Totals</b>	<b>149</b>

\* The periods are in compliance with Florida Statutes and Actuarial Standards of Practice.

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**SECTION D**

STATE REQUIRED DATA

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**Actuarial Present Value of Accrued Benefits**  
**(\$ Amounts in Thousands)**

	September 30, 2012		September 30, 2011
	Assump. Change	Before	
(i) Actuarial present value of active member benefits:			
Service retirement	\$17,958	\$16,993	\$17,948
Vested termination benefits	252	248	261
Disability retirement	1,410	1,428	1,409
Survivor benefits (pre-retirement)	736	740	732
Termination benefits - refunds	30	30	41
Totals	20,385	19,438	20,391
(ii) Actuarial present value of terminated vested members	765	685	166
(iii) Actuarial present value of retired member & beneficiary	62,277	59,223	55,775
(iv) Reserves	770	770	677
(v) Total actuarial present value of future benefit payments	84,197	80,116	77,010
(vi) Present value of active member future payroll	57,678	60,840	64,083
(vii) Present value of future active member contributions	2,878	3,035	3,202
(viii) Active member accumulated contributions	2,890	2,890	3,226
(ix) Actuarial accrued liability using projected unit credit funding method	67,167	63,848	60,910

**Summary of Valuation Results in State Format  
(\$ Amounts in Thousands)**

	<u>September 30, 2012</u>		<u>September 30, 2011</u>
	<u>Assump. Change</u>	<u>Before</u>	
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)			
(i) Vested accrued benefits			
Retired members and beneficiaries	\$ 62,277	\$ 59,223	\$ 55,775
Terminated members	765	685	166
Active members (includes non-forfeitable accum. member contributions)	16,528	15,296	13,936
Total	<u>79,570</u>	<u>75,204</u>	<u>69,877</u>
(ii) Non-vested accrued benefits	<u>1,275</u>	<u>1,234</u>	<u>-</u>
(iii) Total actuarial p.v. of accrued benefits	80,845	76,438	69,877
(iv) Actuarial p.v. of accrued benefits at begin. of year	69,877	69,877	61,672
(v) Changes attributable to:			
Amendments	-	-	-
Assumption change	4,407	-	372
Operation of decrements	11,005	11,005	11,971
Benefit payments	(4,444)	(4,444)	(4,138)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
(vi) Net change	10,968	6,561	8,205
(vii) Actuarial p.v. of accr. benefits at end of year	80,845	76,438	69,877
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate			
(i) Vested	\$ 77,292	\$ 77,376	\$ 71,892
(ii) Non-Vested	<u>1,206</u>	<u>1,305</u>	<u>0</u>
(iii) Total	78,498	78,681	71,892
(iv) Market Value of Assets (MVA)	58,114	58,114	54,154
(v) Funded Ratio Using FRS Interest Rate and MVA	74.03 %	73.86 %	75.33 %

## Reconciliation of Membership Data

### A. Active Members

1. Number Included in Last Valuation	60
2. New Members Included in Current Valuation	
3. Non-Vested Employment Terminations	
4. Vested Employment Terminations	(7)
5. Service Retirements	
6. DROP Retirements	(6)
7. Disability Retirements	
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>47</u>

### B. Terminated Vested Members

1. Number Included in Last Valuation	1
2. Additions from Active Members	7
3. Lump Sum Payments	
4. Payments Commenced	
5. Deaths	
6. Other	
7. Number Included in this Valuation	<u>8</u>

### C. Service Retirees, Disability Retirees and Beneficiaries

1. Number Included in Last Valuation	88
2. Additions from Active Members	6
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(1)
5. Added (Beneficiaries/Data Corrections)	<u>1</u>
6. Number Included in this Valuation	94



**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2012**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing DROP</b>	<b>Normal Retirement Regular</b>
45	1		
47	1	1	
48	1	1	
50	1		
55	1	1	
57	1	1	
62	1		
64	1	1	
66	1	1	
<b>Totals</b>	<b>9</b>	<b>6</b>	<b>0</b>

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**SECTION III**  
**FIREFIGHTERS**

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**OUTLINE OF CONTENTS**  
**REPORT OF SEPTEMBER 30, 2012 ACTUARIAL VALUATION**

<b>Pages</b>	<b>Items</b>
<b>A</b>	<b>Detailed Valuation Results</b>
1-3	Contribution requirement
4	Contribution comparative statement
5-6	Funding progress indicators
7	Experience gain/(loss)
8	Funding value of assets
9-10	Unfunded actuarial accrued liability
11	Actuarial balance sheet
<b>B</b>	<b>Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System</b>
1-3	Benefit provisions
4-6	Financial data
7-13	Participant data
<b>C</b>	<b>Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board</b>
1-2	GASB Statement No. 25 Required Supplementary Information
<b>D</b>	<b>State Required Data</b>
1	Actuarial Present Value of Accrued Benefits
2	Summary of Valuation Results in State Format
3	Reconciliation of Membership Data
4	Number Eligible/Number Electing Normal Retirement

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## **SECTION A**

### **DETAILED VALUATION RESULTS**

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**Contributions To Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2013  
To be Contributed During the Fiscal Year Beginning October 1, 2013**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll
<b>Normal Cost</b>	
Service pensions	4.01 %
Disability pensions	1.56
Death in service pensions	0.76
Deferred service pensions	0.50
Refunds of member contributions	0.45
Total Normal Cost	7.28
<b>Unfunded Actuarial Accrued Liability (1)</b>	
Retired members and beneficiaries	0.00
Active and vested terminated members	40.64
Total Unfunded Actuarial Accrued Liability	40.64
Administrative Expenses	4.32
Total Unadjusted Computed Contribution	52.24
<b>Adjustments to Computed Contribution</b>	
FS 112.64(5) Compliance	0.00
Full funding credit	0.00
Total adjustments	0.00
<b>Total Adjusted Contribution Requirement</b>	52.24
Member portion	4.83
Town portion	47.41

(1) Please refer to page A-10 for a schedule of financing periods.

FS 112.64 requires that Town contributions be deposited not less frequently than quarterly. FS175.131 requires that Chapter 175 monies be deposited within 5 days of receipt from the State. Member contributions, which are in addition to the Public contributions, must be deposited immediately after each pay period.

Comparative contribution amounts for prior fiscal years are shown on page A-4.

**Chapter 99-1, Laws of Florida  
Minimum Compliance and Extra Benefits – Chapter 175**

	Prior Year			Cumulative		
	Premium Tax Distributions	Supplemental Compensation Fund	Total	Premium Tax Distributions	Supplemental Compensation Fund	Total
A. Additional premium tax revenues as of 9/30/11 after transfer			\$ 226,429			
B. Chapter 175 receipts during fiscal year ending 9/30/12	\$ 439,635	\$ 161,013	600,648	\$5,302,770	\$ 2,501,137	\$7,803,907
C. Chapter 175 "frozen" receipts during fiscal year ending 9/30/12	201,787	50,247	252,034	2,825,018	653,211	3,478,229
D. Qualifying benefit improvements since Chapter 99-1 effective date			97,920			894,756
E. Additional premium tax revenues as of 9/30/2012 A + [ B - C - D, not less than 0 ]			477,123 *			3,430,922

*Benefits Adopted*

**Minimum Compliance**

A. 10 year certain & life normal form (\$6,738 per year).

**Extra Benefits**

A. 3.25% multiplier, 20 & Out. (\$91,182 per year). 3.5% multiplier funded by Town.

B. Share Accounts (excess per year, if any, over \$349,954).

*\* Transferred to Share Accounts and not included in the remainder of this report.*

## Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. The Florida Division of Retirement has indicated the legislative intent in Section 112.61, F.S., is to apply the Town portion of the contribution requirement on page A-1 to emerging payroll. To accomplish this, the Town should contribute dollar amounts at the end of each payroll period which are equal to the percent-of-payroll contribution requirement multiplied by the unDROPed active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll amounts that are covered compensation.

Illustrative Only. Included in these amounts is the projected salary increase between the valuation date and the fiscal year in which the contribution will be made. The projection factor used was 1.052957, (1.035<sup>1.5</sup>), which is consistent with the projection used to calculate actuarial liability.

<b>Total Public Contribution Requirement</b>	<b>\$2,040,491</b>
<b>Chapter 175 Premium "frozen"</b>	-
<b>Chapter 175 Supplemental "frozen"</b>	-
<b>Funding from Add. Premium Tax Revenue</b>	-
<b>Base Town Contribution</b>	<b>\$2,040,491</b>

The above amounts are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.60% (.0060) for each month of delay.

## Recommended Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions*
84/85	1983	22.46 %
85/86	1984	21.99
86/87 (a)	1985	22.23
87/88	1986	21.58
88/89 (a)	1987	23.35
89/90	1988	23.34
90/91	1989	22.84
91/92 (a)	1990	26.06
92/93	1991	27.17
93/94	1992	28.86
94/95 (a)	1993	29.73
95/96	1994	32.83
96/97 (a)	1995	35.45
97/98	1996	34.32
98/99	1997	32.40
99/00 (a)	1998	30.13
00/01 (a)	1999	26.48
01/02 (a)	2000	15.11
02/03 (a)	2001	22.36
03/04	2002	34.45
04/05	2003	36.75
05/06 (a)	2004	39.34
06/07 (a)	2005	45.97
07/08	2006	46.47
08/09	2007	44.86
09/10	2008	47.50
10/11	2009	51.06
11/12	2010	53.12
12/13 (a)	2011	27.72
<b>13/14</b>	<b>2012</b>	<b>40.02</b>
<b>13/14 (a)</b>	<b>2012</b>	<b>47.41</b>

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

\* Contributions were not calculated separately for Police and Fire prior to the 9/30/89 actuarial valuation.



## FUNDING PROGRESS INDICATORS

We believe an understanding of funding progress and status can be achieved using the following measures:

*Indicator (1)* **The actuarial present value of gains or losses realized in the operation of the Retirement System** - an experience indicator. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) but sizable year-to-year fluctuations are common. An experience gain can result from assets increasing in value by more than anticipated by the funding program, or by the actuarial accrued liability increasing by less than anticipated by the funding program, or by other favorable combinations of deviation from expected asset and liability changes. Further details on the derivation of the gain (loss) are shown on page A-7.

*Indicator (2)* **The ratio of the funding value of assets to the actuarial accrued liability** measured in accordance with GASB Statement No. 5 prior to the September 30, 1997 valuation and GASB Statement No. 25 beginning with the September 30, 1997 valuation. The ratio is expected to increase over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

*Indicator (3)* **The ratio of the unfunded actuarial accrued liability to active member payroll** - an inflation adjusted funding level indicator. In a soundly financed Retirement System, the amount of the unfunded actuarial accrued liability will be controlled and prevented from increasing in the absence of benefit improvements. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

**Funding Progress Indicators - Historical Comparisons**  
(\$ amounts in thousands)

Valuation Date September 30	Indicator (1)		Indicator (2)		Indicator (3)		
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1993 (a)	\$ 2,632	\$ 57,089	\$61,692	93 %	\$ 4,603	\$ 12,443	37 %
1994	674	62,651	66,474	94	3,823	12,415	31
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000 (a)@	6,214	81,196	69,425	117	(11,771)	6,230	--
2001 (a)@	(3,133)	91,992	82,361	112	(9,631)	7,064	--
2002	(11,845)	86,446	88,991	97	2,545	7,769	33
2003	(3,088)	88,091	94,991	93	6,900	8,558	81
2004 (a)&	(1,587)	44,080	51,703	85	7,623	4,444	172
2005 (a)	(3,287)	45,765	59,314	77	13,548	5,237	259
2006	(290)	49,236	64,220	77	14,984	5,710	262
2007	3,038	54,723	67,027	82	12,304	5,573	221
2008	(864)	57,652	71,813	80	14,161	5,823	243
2009	(5,022)	57,852	78,139	74	20,287	6,398	317
2010	(1,385)	59,219	81,598	73	22,379	6,219	360
2011 (a)	1,134	58,899	72,928	81	14,029	5,142	273
<b>2012</b>	<b>(5,221)</b>	<b>56,304</b>	<b>75,464</b>	<b>75</b>	<b>19,160</b>	<b>4,087</b>	<b>469</b>
<b>2012 (a)</b>	<b>(5,221)</b>	<b>56,304</b>	<b>79,887</b>	<b>70</b>	<b>23,584</b>	<b>4,087</b>	<b>577</b>

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

# GASB Statement No. 25 basis.

@ Excludes General and Ocean Rescue members (shown in separate report beginning 9/30/2000).

& Excludes Police members (shown in separate report beginning 9/30/2004).

AAL represents actuarial accrued liability. Measured in accordance with GASB Statement No. 5 prior to 1997 and GASB Statement No. 25 beginning in 1997.

**Experience Gain/(Loss)  
Year Ended September 30, 2012**

**DERIVATION**

(1) UAAL at start of year	\$14,029,022
(2) Employer Normal cost for year	249,517
(3) Employer contributions for defined benefits	1,415,388
(4) Interest accrued .08 x [(1) + 1/2 ((2)-(3))]	1,075,687
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	13,938,838
(6) Effect of assumption changes	4,423,594
(7) Effect of cost method changes/accounting and timing differences	0
(8) Effect of benefit changes	0
(9) Addition to supplemental pension reserve	0
(10) Expected UAAL after changes	18,362,432
(11) Actual UAAL	23,583,630
(12) Gain/(loss) (10) - (11)	(5,221,198)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2011	2012	2013	2014	2015	2016
A. Funding Value Beginning of Year	\$59,218,895	\$58,899,268				
B. Market Value End of Year	50,211,355	53,935,120				
C. Market Value Beginning of Year	51,533,882	50,211,355				
D. Non-Investment Net Cash Flow	(1,064,825)	(3,108,575)				
E. Investment Income						
E1. Market Total: B - C - D	(257,702)	6,832,340				
E2. Amount for Immediate Recognition at 8.0%	4,694,919	4,587,598				
E3. Amount for Phased-In Recognition: E1 - E2	(4,952,621)	2,244,742				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	(990,524)	448,948				
F2. First Prior Year	(179,489)	(990,524)	\$ 448,948			
F3. Second Prior Year	(833,678)	(179,489)	(990,524)	\$ 448,948		
F4. Third Prior Year	(2,519,991)	(833,678)	(179,489)	(990,524)	\$ 448,948	
F5. Fourth Prior Year	573,961	(2,519,992)	(833,678)	(179,490)	(990,525)	\$ 448,950
F6. Adjustment to Recognize 20% Corridor	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F7. Total Recognized Investment Gain/(Loss)	(3,949,721)	(4,074,735)	(1,554,743)	(721,066)	(541,577)	448,950
G. Accelerated Recognition of Investment Income	0	0				
H. Funding Value End of Year: A + D + E2 + F7 Not to Exceed 120% of Market Value	58,899,268	56,303,556				
I. Difference between Market & Funding Value	(8,687,913)	(2,368,436)				
J. Recognized Rate of Return	1.27%	0.89%				
K. Recognized Rate of Investment Expenses	0.31%	0.24%				

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, the Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, the Funding Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to Market Value.

**Unfunded Actuarial Accrued Liability  
as of September 30**

	<u>2012</u>	<u>2011</u>
A. Actuarial present value of future benefits	\$84,046,605	\$77,768,598
B. Actuarial present value of future normal costs	4,159,419	4,840,308
C. Actuarial accrued liability	79,887,186	72,928,290
D. Actuarial value of assets	56,303,556	58,899,268
E. Unfunded actuarial accrued liability	23,583,630	14,029,022
F. Funded ratio	70.5%	80.8%

## Sources and Financing of Unfunded Actuarial Accrued Liability

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollar	Percent of Payroll	
<b>Initial Unfunded</b>								
2011	20	19		\$ 21,562,693	13.541298	\$ 1,592,365	38.29 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	28	\$ 1,384,923	1,446,523	17.251100	83,851	2.02	0.00
2011	30	29	(1,134,442)	(1,158,152)	17.590482	(65,840)	(1.58)	0.00
2012	30	30	5,221,198	5,221,198	17.917236	291,406	7.01	0.00
<b>Benefit Changes</b>								
2010	30	28	(7,020,622)	(7,332,893)	17.251100	(425,068)	(10.22)	0.00
<b>Assumption/Method Changes</b>								
2010	30	28	(740,005)	(772,920)	17.251100	(44,804)	(1.08)	0.00
2011	30	29	187,849	193,587	17.590482	11,005	0.26	0.00
2012	30	30	4,423,594	4,423,594	17.917236	246,890	5.94	0.00
<b>Totals</b>				<b>\$ 23,583,630</b>		<b>\$ 1,689,805</b>	<b>40.64</b>	<b>0.00</b>

\* With the adoption of new economic assumptions, consultation with the Town on its budgeted payroll projections, and the Town's policy of contributing on a projected dollar basis using 3.5% wage inflation, this embeds the dollar contribution shown above adjusted to the appropriate fiscal year in the Town's contribution requirement.

## Actuarial Balance Sheet - September 30, 2012

### Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net Assets from System Financial Statements (Market Value)	\$53,935,120
2. Funding Value Adjustment	<u>2,368,436</u>
3. Funding Value of Assets	56,303,556
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For Normal Costs	1,148,726
2. For Unfunded Actuarial Accrued Liability	<u>23,583,630</u>
3. Totals	24,732,356
C. Actuarial Present Value of Expected Future Member Contributions	<u>3,010,693</u>
D. Total Present and Expected Future Resources	<u><u>\$84,046,605</u></u>

### Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To Retirants and Beneficiaries	\$65,006,622
B. To Vested Terminated Members	938,262
C. To Present Active Members:	
1. Allocated to Service Rendered Prior to Valuation Date	13,039,310
2. Allocated to Service likely to be Rendered After Valuation Date	<u>4,159,419</u>
3. Totals	17,198,729
D. Reserve for Additional Premium Tax Revenues	0
E. Reserve for Employer Contributions	902,992
F. Reserve for Supp. Pens. Dist. - 13th Check	0
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$84,046,605</u></u>

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## **SECTION B**

### **SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA SUBMITTED BY THE RETIREMENT SYSTEM**

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## Summary of Benefit Provisions (September 30, 2012)

### **NORMAL RETIREMENT:**

#### **Eligibility**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

20 or more years of service, regardless of age; or, age 50 with 10 or more years of credited service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

##### ***New Plan benefits accrued after April 30, 2012.***

Age 65 with 10 or more years of service.

#### **Pension Amount**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

Average final compensation multiplied by the greater of;

- a) 3.5% per year of credited service to a maximum of 25 years, or
- b) 2.0% per year of credited service to a maximum of 50 years.

##### ***New Plan benefits accrued after April 30, 2012.***

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death after Retirement heading.

#### **Average Final Compensation**

##### ***Grandfathered and April 30, 2012 frozen accrued benefits.***

Highest 2 consecutive years within the member's last 5 years of credited service.

##### ***New Plan benefits accrued after April 30, 2012.***

Average compensation after April 30, 2012 over a period increasing up to the final 5 years of credited service by April 30, 2017.

### **DROP RETIREMENT:**

**Eligibility** – Same as Normal Retirement, election must be made within 7 years of the date the member first reaches normal retirement eligibility.

**Pension Amount** – 100% of the member's accrued benefit at the date of election to participate in DROP.

**DEFERRED RETIREMENT (VESTED TERMINATION BENEFIT):**

**Eligibility** - 10 or more years of credited service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately.

**Pension Amount** - Computed as for normal retirement, based upon service and average final compensation at time of termination.

**DUTY DISABILITY RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

**NON-DUTY DISABILITY BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - Computed as for normal retirement.

**DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - No age or service requirements.

**Pension Amount** - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or an equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retirant's AFC and the aggregate amount paid to children for the month.

**NON-DUTY DEATH BEFORE RETIREMENT:**

**Eligibility** - 10 or more years of credited service.

**Pension Amount** - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

**AUTOMATIC DEATH AFTER RETIREMENT PENSION:**

*Grandfathered and April 30, 2012, frozen accrued benefits.*

**To Surviving Child(ren):** 25% of the retirant's pension payable to age 18, not to exceed an equal share of 75% of the retirants pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

**To Surviving Spouse:** The difference, if any, between 75% of the deceased retirant's pension and the aggregate amount paid to any surviving children for the month.

*New Plan benefits accrued after April 30, 2012.*

Reduced optional forms of payment are available.

**POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS:**

***Grandfathered and April 30, 2012, frozen accrued benefits.***

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

***New Plan benefits accrued after April 30, 2012.***

None.

**MEMBER CONTRIBUTIONS:**

<u>Benefit Group</u>	<u>Contribution Rate as a Percent of Pay</u>	
	<u>Before May 1, 2012</u>	<u>On and After May 1, 2012</u>
Firefighter	6.82%	4.82%

**PREMIUM TAX MONIES:** No future State contributions are expected.

**TOWN CONTRIBUTIONS:** Actuarially determined amounts which together with member contributions are sufficient to cover the requirements of the funding objective stated in the Executive Summary.

**FIREFIGHTER INDIVIDUAL CHAPTER SHARE ACCOUNTS:** Available tax revenues received pursuant to Chapter 175 Florida Statute which have not been otherwise committed for members. Individual member accounts maintained in each member's name effective on or after 10/1/98.

**PRIOR GOVERNMENTAL SERVICE ELSEWHERE:** During the first five years of employment by the Town, the years or fractional parts of years that a member previously served for any other municipal, county, or state government or district may be added to years or fractional parts of years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

**PURCHASE OF SERVICE CREDIT:** A vested member who has not purchased service credit under Prior Governmental Service Elsewhere may purchase years or fractional parts of years of service to be added to years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

## Summary of Assets

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Cash	\$ 684,076	\$ 7,390,281
Accrued interest and dividends	0	27,218
Other receivables	7,407	513,044
Investments		
- US government securities	0	0
- Corporate bonds and notes	11,244,909	5,126,516
- Domestic fixed income funds	0	0
- Common stock	5,271,526	4,196,458
- Equity funds	17,637,945	14,385,971
- Real Asset funds	5,022,650	5,093,773
- Alternative investments	17,563,611	16,213,312
Accounts payable	(1,250,493) *	(733,629) **
Other	<u>(2,246,511) #</u>	<u>(2,001,589) ##</u>
<b>Total Assets</b>	<b>\$53,935,120</b>	<b>\$50,211,355</b>

\* Includes DROP plan liabilities of \$274,326.

\*\* Includes DROP plan liabilities of \$85,324.

# Share Account assets of \$2,458,457 were excluded.

## Share Account assets of \$2,098,298 were excluded.

# Accounting Information Utilized for Valuation

## Revenues and Expenditures

	<u>Year Ended</u> <u>September 30, 2012</u>	<u>Year Ended</u> <u>September 30, 2011</u>
<b>Revenues:</b>		
a. Member contributions	\$ 279,466	\$ 389,972
b. Town contributions	1,065,434	2,569,690
c. State contributions (Chapter 175)	349,954 *	349,954
d. Investment income		
1. Interest and dividends	571,432	359,503
2. Amortization of premiums/discounts	-	-
3. Gain or (loss)	6,415,628	(403,141)
e. Other - audit adjustment	-	-
f. Total revenues	<u>8,681,914</u>	<u>3,265,978</u>
<b>Expenditures:</b>		
a. Refunds of member contributions	15,566	-
b. Benefits paid	4,611,265	4,205,956
c. Supplemental pension distribution	-	-
d. Administrative expenses	176,598	168,485
e. Investment expenses	135,385	184,811
f. DROP & share account distributions/earnings	19,336	29,253
g. Total expenditures	<u>4,958,150</u>	<u>4,588,505</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u>\$ 3,723,764</u>	<u>\$ (1,322,527)</u>

\* Amounts received in excess of \$349,954 were excluded, as were the aggregate share account assets of \$2,458,457.

## Accounting Information Submitted for Valuation

### Reserve Accounts\*

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Employees' contributions (Members' Saving Fund)	\$ 2,819,647	\$ 123,627
Employer contributions (Employer Reserve Fund)	(14,829,411)	(8,873,544)
Retired members and beneficiaries (Retirement Reserve Fund)	65,006,622	58,843,219
Inactive members (Deferred Retirement Fund)	<u>938,262</u>	<u>118,053</u>
Total	\$ 53,935,120	\$ 50,211,355

\* After transfers in accordance with Section 82-82(b) of Retirement Ordinance (please refer to page A-3). All reserve accounts are available for funding.

## Retired Member and Beneficiary Data

Year Ended Sept. 30	Number		Historical Schedule*		End of Year		Average Pensions
	Added	Removed	Net Increase		No.	Annual Pensions	
			No.	Annual Pensions			
1983	6	3	3	\$ 42,198	129	\$ 904,271	\$ 7,010
1984	6	4	2	32,936	131	937,207	7,154
1985	15	5	10	166,787	141	1,103,994	7,830
1986	10	3	7	119,451	148	1,223,445	8,267
1987	7	2	5	72,350	153	1,295,794	8,469
1988	13	8	5	92,514	158	1,388,308	8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	16	110 #	(94)	(861,467)	135	3,293,668	24,398
2001	12	9	3	215,455	138	3,509,123	25,428
2002	8	3	5	269,507	143	3,778,630	26,424
2003	1	2	(1)	100,315	142	3,878,945	27,317
2004	9	7	2	235,991	77	2,319,749	30,127
2005	2	0	2	247,973	79	2,567,722	32,503
2006	3	4	(1)	187,448	78	2,755,170	35,323
2007	6	5	1	254,745	79	3,009,915	38,100
2008	7	4	3	270,047	82	3,279,962	40,000
2009	6	3	3	316,610	85	3,596,572	42,313
2010	5	1	4	232,386	89	3,828,958	43,022
2011	9	6	3	719,043	92	4,548,001	49,435
<b>2012</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>238,201</b>	<b>94</b>	<b>4,786,202</b>	<b>50,917</b>

\* Prior to the September 30, 2000 valuation, General members were included. Prior to the September 30, 2004 valuation, Police members were included.

# Includes 107 General members.

## Retired Members and Beneficiaries Historical Comparison

Valuation Date**	% Incr. in Annual Pensions	No. of Active Per Retired	Pension Payroll as % of Active Payroll
9/30/1993	7.3 %	1.3	30.3 %
9/30/1994	18.9	1.1	39.2
9/30/1995	7.2	1.1	38.7
9/30/1996	10.9	1.1	41.8
9/30/1997	3.9	1.1	40.1
9/30/1998	8.0	1.0	45.7
9/30/1999	12.3	0.8	58.8
9/30/2000	(20.7)	0.8	65.2
9/30/2001	6.5	0.8	62.8
9/30/2002	7.7	0.7	62.1
9/30/2003	2.7	0.8	54.2
9/30/2004	(40.2)	0.9	52.2
9/30/2005	10.7	0.9	49.0
9/30/2006	7.3	0.9	48.3
9/30/2007	9.2	0.9	54.0
9/30/2008	9.0	0.9	56.3
9/30/2009	9.7	0.9	56.2
9/30/2010	6.5	0.8	61.6
9/30/2011	18.8	0.7	88.4
<b>9/30/2012</b>	<b>5.2</b>	<b>0.5</b>	<b>117.1</b>

\*\* For the September 30, 2000 - 2010 valuations, General and Ocean Rescue are valued in a separate report. For the September 30, 2004 - 2010 valuations, Police is valued in a separate report.



**Retired Member and Beneficiary Data as of September 30, 2012  
By Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
<b>Age &amp; Service Benefits</b>		
Straight Life	6	\$ 232,183
10-Year Certain	25	1,758,731
Joint and Survivor Benefits - Regular	32	1,288,206
Surviving Beneficiaries	9	195,136
Total Age and Service Benefits	72	3,474,256
<b>Duty Disability Benefits</b>		
Straight Life	1	28,173
10-Year Certain	0	0
Joint and Survivor Benefits	1	47,295
Surviving Beneficiaries	0	0
Total Duty Disability Benefits	2	75,468
<b>Non-Duty Disability Benefits</b>		
Straight Life	0	0
10-Year Certain	3	125,422
Joint and Survivor Benefits	4	98,132
Surviving Beneficiaries	0	0
Total Non-Duty Disability Benefits	7	223,554
<b>Death-In-Service Benefits</b>		
Non-Duty Spouse	0	0
Total Death in Service Benefits	0	0
<b>Active DROP Members</b>	13	1,012,924
<b>Totals</b>	<b>94</b>	<b>\$ 4,786,202</b>

**Retired Member and Beneficiary Data as of September 30, 2012  
(Includes DROP Participants)  
Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Pensions</b>
40 - 44	3	\$ 276,528
45 - 49	7	604,730
50 - 54	17	1,205,692
55 - 59	16	857,287
60 - 64	14	630,603
65 - 69	8	346,299
70 - 74	14	461,719
75 - 79	4	124,270
80 - 84	6	153,588
85 - 89	4	99,426
90 - 94	1	26,060
<b>Totals</b>	<b>94</b>	<b>\$ 4,786,202</b>

Average Age at Retirement: 48.8 years

Average Age Now: 63.3 years

**Vested Terminated Members as of September 30, 2012**  
**Annual Estimated Pensions**  
**Tabulated by Attained Age**

<u>Attained Age</u>	<u>No.</u>	<u>Annual Estimated Pensions</u>
31	1	\$ 16,940
32	1	25,931
34	1	7,967
42	1	59,394
44	1	12,373
45	1	13,598
<b>Totals</b>	<b>6</b>	<b>\$ 136,203</b>

## Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1998	62	0		\$2,980,932	38.2 yrs.	12.1 yrs.	\$48,080
1999	58	0		2,824,287	37.4	11.1	48,729
2000	56	0		2,785,352	37.3	10.9	49,738
2001	58	0		3,104,984	36.4	10.1	53,534
2002	56	2		3,314,457	36.9	10.3	59,187
2003	63	1		3,845,159	37.2	10.1	61,034
2004	67	1		4,443,846	37.4	9.4	66,326
2005	74	2		5,236,941	37.2	8.7	70,769
2006	74	2		5,709,684	37.7	9.1	77,158
2007	72	2		5,573,348	37.9	9.1	77,408
2008	73	1		5,822,885	37.9	9.3	79,766
2009	73	1		6,397,554	37.6	9.1	87,638
2010	69	1		6,218,731	38.1	9.8	90,127
2011	60	1		5,142,125	38.0	9.2	85,702
<b>2012</b>	<b>51</b>	<b>6</b>		<b>4,087,465</b>	<b>38.0</b>	<b>10.0</b>	<b>80,146</b>

## Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Retirement			Disability Retirement E	Died-in- Service A	Died-in- Service E	Withdrawal		Active Members End of Year
		A						A	E	
		DROP	Other	Totals				A	E	
2003	8				6.3	0.1	0.1	1	2.0	63
2004	9	2	1	3	8.2	0.1	0.1	2	2.0	67
2005	11	1	1	2	7.0	0.1	0.1	2	3.0	74
2006	4	1	1	2	8.0	0.1	0.1	2	3.7	74
2007	5	3	0	3	8.2	0.1	0.1	4	3.3	72
2008	4	1	2	3	8.7	0.1	0.1		2.8	73
2009	5	3	1	4	9.4	0.1	0.1	1	2.7	73
2010	0	2	1	3	7.0	0.1	0.1	1	2.7	69
2011	0	8	0	8	5.9	0.1	0.1	1	2.2	60
<b>2012</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3.7</b>	<b>0.1</b>	<b>0.0</b>	<b>5</b>	<b>1.7</b>	<b>51</b>

A represents actual number.

E represents expected number.

## Active Member Data as of September 30, 2011

### By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	3							3	\$ 173,104
30-34	3	8						11	726,969
35-39	1	7	5	3				16	1,355,727
40-44		3	4	5				12	1,008,873
45-49		3		2	1			6	544,255
50-54		3						3	278,537
<b>Totals</b>	<b>7</b>	<b>24</b>	<b>9</b>	<b>10</b>	<b>1</b>			<b>51</b>	<b>\$4,087,465</b>

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## **SECTION C**

### **CERTAIN DISCLOSURES REQUIRED BY STATEMENT NO. 25 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

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**This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.**

**GASB Statement No. 25**  
**Required Supplementary Information**  
(\$ Amounts in Thousands)

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$88,091	\$94,991	92.7 %	\$ 6,900	\$8,558	80.6 %
2004 (a)	44,080	51,703	85.3	7,623	4,444	171.5
2005 (a)	45,765	59,314	77.2	13,549	5,237	258.7
2006	49,236	64,220	76.7	14,984	5,710	262.4
2007	54,723	67,027	81.6	12,304	5,573	220.8
2008	57,652	71,813	80.3	14,161	5,823	243.2
2009	57,852	78,139	74.0	20,287	6,398	317.1
2010	59,219	81,598	72.6	22,379	6,219	359.8
2011 (a)	58,899	72,928	80.8	14,029	5,142	272.8
<b>2012 (a)</b>	<b>56,304</b>	<b>79,887</b>	<b>70.5</b>	<b>23,583</b>	<b>4,087</b>	<b>577.0</b>

**Schedule of Employer Contributions\***

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll#	Actual Dollar Contribution	Percentage Contributed
2004	32.32 %	\$2,721	\$2,510	100 %
2005	34.73	1,531	1,466	100
2006 (a)	39.34	1,796	1,701	100
2007 (a)	45.97	2,609	2,610	100
2008	46.47	2,875	2,875	100
2009	44.86	2,709	2,709	100
2010	47.50	2,997	2,997	100
2011	51.06	3,540	2,919	100
2012 (a)	23.54	1,563	1,415	100
2013 (a)	27.72	1,371		
<b>2014 (a)</b>	<b>47.41</b>	<b>2,040</b>		

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

\* Beginning with valuation date September 30, 2000, excludes General and Ocean Rescue members.

Beginning with valuation date September 30, 2004, excludes Police members.

# In years where the computed contribution exceeds the actual contribution, the difference was funded by the Reserve for Employer Contributions.

## GASB Statement No. 25 Required Supplementary Information

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 follows:

Valuation date	September 30, 2012
Actuarial cost method	Entry-Age
Amortization method	Level percent of payroll
Remaining amortization period*	19-30 years
Asset valuation method	5-year smoothed market
<b>Actuarial assumptions</b>	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.5%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3 year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	94
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	
Vested	20
Non-vested	31
	31
<b>Totals</b>	<b>151</b>

\* The periods are in compliance with Florida Statutes and Actuarial Standards of Practice.



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**SECTION D**

STATE REQUIRED DATA

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**Actuarial Present Value of Accrued Benefits**  
**(\$ Amounts in Thousands)**

	September 30, 2012		September 30, 2011
	Assump. Change	Before	
(i) Actuarial present value of active member benefits:			
Service retirement	\$14,660	\$13,852	\$15,495
Vested termination benefits	279	276	288
Disability retirement	1,473	1,501	1,568
Survivor benefits (pre-retirement)	757	766	800
Termination benefits - refunds	30	30	36
Totals	17,199	16,426	18,187
(ii) Actuarial present value of terminated vested members	938	855	118
(iii) Actuarial present value of retired member & beneficiary	65,007	61,752	58,843
(iv) Reserves	903	903	620
(v) Total actuarial present value of future benefit payments	84,047	79,937	77,769
(vi) Present value of active member future payroll	62,416	66,051	71,758
(vii) Present value of future active member contributions	3,011	3,186	3,461
(viii) Active member accumulated contributions	2,820	2,820	3,104
(ix) Actuarial accrued liability using projected unit credit funding method	78,639	74,265	71,722

**Summary of Valuation Results in State Format**  
**(\$ Amounts in thousands)**

	September 30, 2012		September 30, 2011
	Assump. Change	Before	
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)			
(i) Vested accrued benefits			
Retired members and beneficiaries	\$ 65,007	\$ 61,752	\$ 58,843
Terminated members	938	855	118
Active members (includes non-forfeitable accum. member contributions)	13,027	11,932	11,609
Total	78,972	74,539	70,570
(ii) Non-vested accrued benefits	1,543	1,492	-
(iii) Total actuarial p.v. of accrued benefits	80,515	76,031	70,570
(iv) Actuarial p.v. of accrued benefits at begin. of year	70,570	70,570	65,018
(v) Changes attributable to:			
Amendments	-	-	-
Assumption change	4,484	-	190
Operation of decrements	10,072	10,072	9,568
Benefit payments	(4,611)	(4,611)	(4,206)
Expenses	-	-	-
(vi) Net change	9,945	5,461	5,552
(vii) Actuarial p.v. of accr. benefits at end of year	80,515	76,031	70,570
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate			
(i) Vested	\$ 76,656	\$ 76,743	\$ 72,654
(ii) Non-Vested	1,455	1,583	0
(iii) Total	78,111	78,327	72,654
(iv) Market Value of Assets (MVA)	53,935	53,935	50,211
(v) Funded Ratio Using FRS Interest Rate and MVA	69.05 %	68.86 %	69.11 %

## Reconciliation of Membership Data

### A. Active Members

1. Number Included in Last Valuation	60
2. New Members Included in Current Valuation	
3. Non-Vested Employment Terminations	
4. Vested Employment Terminations	(5)
5. Service Retirements	(1)
6. DROP Retirements	(3)
7. Disability Retirements	
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>51</u>

### B. Terminated Vested Members

1. Number Included in Last Valuation	1
2. Additions from Active Members	5
3. Lump Sum Payments	
4. Payments Commenced	
5. Deaths	
6. Other	
7. Number Included in this Valuation	<u>6</u>

### C. Service Retirees, Disability Retirees and Beneficiaries

1. Number Included in Last Valuation	92
2. Additions from Active Members	4
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(2)
5. Added (Beneficiaries/Data Corrections)	
6. Number Included in this Valuation	<u>94</u>

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2012**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
45	2	1	
49	1	1	
55	1	1	
56	1		1
<b>Totals</b>	<b>5</b>	<b>3</b>	<b>1</b>

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## **APPENDIX**

**ACTUARIAL COST METHOD, ACTUARIAL  
ASSUMPTIONS AND DEFINITIONS OF TECHNICAL  
TERMS**

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## Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for your valuation is known as the individual entry-age actuarial cost method, and has the following characteristics:

- The annual normal cost for each individual active member is sufficient to accumulate the value of the member's pension at time of retirement or at DROP election, if earlier.
- Each annual normal cost is a constant percentage of the member's year-by-year projected pensionable compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed active status exit ages. This is based on our understanding of the approach preferred by the Florida Division of Retirement.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The unfunded actuarial accrued liability was financed as a level percent of active member payroll over varying periods of up to 30 years. Please refer to pages A-9 for General and A-10 for Ocean Rescue, Police and Fire for a schedule of financing periods.

The characteristics of this method of financing the unfunded actuarial accrued liability are shown on pages 2 through 5 of this Appendix using the single equivalent amortization periods for each employee group.

Member payroll was assumed to increase 3.5% a year, net of members entering the DROP, for the purpose of determining the level percent contributions (except as required by F.S. 112.64 (5)). This assumption is consistent with the base rate of increase in salaries used to calculate actuarial present values. Expressing contributions, as a percent of active member payroll excluding DROP members may cause fluctuations due to the level of participation in the DROP.

## General UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 9,683,803	\$ 16,520,218	\$ 922,033
2	10,022,736	16,786,606	954,304
3	10,373,532	17,038,931	987,705
4	10,736,605	17,274,947	1,022,275
5	11,112,387	17,492,198	1,058,054
6	11,501,320	17,687,999	1,095,086
7	11,903,866	17,859,421	1,133,414
8	12,320,502	18,003,269	1,173,084
9	12,751,719	18,116,060	1,214,142
10	13,198,029	18,193,998	1,256,636
11	13,659,960	18,232,955	1,300,619
12	14,138,059	18,228,439	1,346,140
13	14,632,891	18,175,564	1,393,255
14	15,145,042	18,069,023	1,442,019
15	15,675,119	17,903,051	1,492,490
16	16,223,748	17,671,392	1,544,727
17	16,791,579	17,367,254	1,598,793
18	17,379,284	16,983,274	1,654,750
19	17,987,559	16,511,468	1,712,667
20	18,617,124	15,943,181	1,772,610
21	19,268,723	15,269,040	1,834,651
22	19,943,128	14,478,893	1,898,864
23	20,641,138	13,561,749	1,965,324
24	21,363,578	12,505,711	2,034,111
25	22,111,303	11,297,910	2,105,304
26	22,885,199	9,924,423	2,178,990
27	23,686,180	8,370,195	2,255,255
28	24,515,197	6,618,951	2,334,189
29	25,373,229	4,653,099	2,415,885
30	26,261,292	2,453,627	2,500,441
31	27,180,437	0	0

\* Illustrative schedule assuming 30-year amortization of the unfunded liability.



## Ocean Rescue UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 200,577	\$1,768,406	\$ 98,699
2	207,597	1,796,921	102,153
3	214,863	1,823,932	105,729
4	222,383	1,849,196	109,429
5	230,166	1,872,452	113,259
6	238,222	1,893,411	117,223
7	246,560	1,911,761	121,326
8	255,189	1,927,159	125,573
9	264,121	1,939,233	129,968
10	273,365	1,947,576	134,517
11	282,933	1,951,746	139,225
12	292,836	1,951,262	144,098
13	303,085	1,945,602	149,141
14	313,693	1,934,198	154,361
15	324,672	1,916,431	159,764
16	336,036	1,891,633	165,355
17	347,797	1,859,077	171,143
18	359,970	1,817,974	177,133
19	372,569	1,767,469	183,332
20	385,609	1,706,637	189,749
21	399,105	1,634,474	196,390
22	413,074	1,549,892	203,264
23	427,531	1,451,717	210,378
24	442,495	1,338,673	217,741
25	457,982	1,209,384	225,362
26	474,012	1,062,359	233,250
27	490,602	895,987	241,414
28	507,773	708,525	249,863
29	525,545	498,091	258,608
30	543,939	262,648	267,660
31	562,977	0	0

\* Illustrative schedule assuming 30-year amortization of the unfunded liability.

**Police**  
**UAAL Amortization Schedule\***

Year	Investment Assumption	Inflation Assumption	
	7.50%	UAAL Balance	3.50% Payment
1	\$ 4,241,336	\$ 19,100,682	\$ 1,066,055
2	4,389,783	19,408,680	1,103,367
3	4,543,425	19,700,418	1,141,985
4	4,702,445	19,973,300	1,181,954
5	4,867,031	20,224,485	1,223,323
6	5,037,377	20,450,871	1,266,139
7	5,213,685	20,649,069	1,310,454
8	5,396,164	20,815,387	1,356,320
9	5,585,030	20,945,795	1,403,791
10	5,780,506	21,035,907	1,452,924
11	5,982,824	21,080,950	1,503,776
12	6,192,223	21,075,727	1,556,408
13	6,408,950	21,014,593	1,610,882
14	6,633,264	20,891,410	1,667,263
15	6,865,428	20,699,514	1,725,617
16	7,105,718	20,431,670	1,786,014
17	7,354,418	20,080,026	1,848,525
18	7,611,823	19,636,068	1,913,223
19	7,878,236	19,090,565	1,980,186
20	8,153,975	18,433,512	2,049,492
21	8,439,364	17,654,070	2,121,224
22	8,734,741	16,740,501	2,195,467
23	9,040,457	15,680,099	2,272,309
24	9,356,873	14,459,108	2,351,839
25	9,684,364	13,062,647	2,434,154
26	10,023,317	11,474,621	2,519,349
27	10,374,133	9,677,623	2,607,526
28	10,737,227	7,652,834	2,698,790
29	11,113,030	5,379,914	2,793,247
30	11,501,986	2,836,885	2,891,011
31	11,904,556	0	0

\* This is an illustrative schedule assuming the unfunded liability is amortized over 30 years.

## Firefighters UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 4,087,465	\$23,583,630	\$ 1,316,259
2	4,230,526	23,963,915	1,362,328
3	4,378,594	24,324,125	1,410,010
4	4,531,845	24,661,052	1,459,360
5	4,690,460	24,971,191	1,510,438
6	4,854,626	25,250,709	1,563,303
7	5,024,538	25,495,425	1,618,019
8	5,200,397	25,700,777	1,674,649
9	5,382,411	25,861,792	1,733,262
10	5,570,795	25,973,055	1,793,926
11	5,765,773	26,028,668	1,856,713
12	5,967,575	26,022,220	1,921,698
13	6,176,440	25,946,738	1,988,958
14	6,392,615	25,794,644	2,058,571
15	6,616,357	25,557,710	2,130,621
16	6,847,929	25,227,002	2,205,193
17	7,087,607	24,792,827	2,282,375
18	7,335,673	24,244,672	2,362,258
19	7,592,422	23,571,138	2,444,937
20	7,858,156	22,759,874	2,530,510
21	8,133,192	21,797,497	2,619,078
22	8,417,854	20,669,513	2,710,745
23	8,712,478	19,360,232	2,805,622
24	9,017,415	17,852,674	2,903,818
25	9,333,025	16,128,463	3,005,452
26	9,659,681	14,167,726	3,110,643
27	9,997,769	11,948,970	3,219,515
28	10,347,691	9,448,961	3,332,198
29	10,709,861	6,642,585	3,448,825
30	11,084,706	3,502,705	3,569,534
31	11,472,670	0	0

\* This is an illustrative schedule assuming the unfunded liability is amortized over 30 years.

## **Actuarial Assumptions Used for the Valuation**

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future Plan activities (actuarial assumptions) to the benefit provisions and people information of the System, using the actuarial cost method described on Appendix page 1.

The principal areas of activity which require assumptions are:

- long-term rates of investment return to be generated by the assets of the System
- patterns of pay increases to members
- rates of mortality among members, retirees and beneficiaries
- rates of withdrawal of active members
- rates of disability among active members
- the age patterns of actual retirement

In a valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

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Actual activities of the system will not coincide exactly with assumed activities due to the nature of the activities. Each valuation provides a complete recalculation of assumed future activities and takes into account the effect of differences between assumed and actual activities to date. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time-to-time one or more of the assumptions are modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

The assumptions regarding the INVESTMENT RETURN rate, INFLATION rate, REAL INVESTMENT RETURN rate, and SALARY INCREASE rates were revised effective September 30, 2012. These assumptions are used, in combination with the other assumptions, to (i) determine the present value of amounts expected to be paid in the future and (ii) establish rates of contribution which are expected to remain relatively level as a percent of active member payroll.

**INVESTMENT RETURN.** 7.5% per annum compounded annually, net of investment expenses.

**INFLATION.** 3% per annum, compounded annually. This is the rate at which growth in the supply of money and credit is assumed to exceed growth in the supply of goods and services. It may be thought of as the rate of depreciation of the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. The recent inflation rate, as measured by the Consumer Price Index, has been:

	Year Ended September 30					Average for Period
	2012	2011	2010	2009	2008	
Actual	2.0%	3.9%	1.1%	(1.3)%	4.9%	2.1%
Assumed	3.0%	4.0%	5.0%	5.0%	5.0%	4.4%

**REAL INVESTMENT RETURN.** 4.5% per annum, compounded annually net of investment expenses. This is the rate of return assumed to be produced by investing a pool of assets in an inflation-free environment. Recent real investment return for the Retirement System has been:

### General and Ocean Rescue

	Year Ended September 30					Average for Period
	2012	2011	2010	2009	2008	
Total Rate of Return	1.9 %	1.7 %	2.9 %	(1.2) %	1.9 %	1.4 %
less investment expenses	0.4	0.4	0.3	0.4	0.7	0.5
Net Rate of Return	1.5	1.3	2.6	(1.6)	1.2	1.0
less inflation rate	2.0	3.9	1.1	(1.3)	4.9	2.1
Net Real Rate of Return	(0.5)	(2.6)	1.5	(0.3)	(3.7)	(1.1)
<b>Assumed Real Rate</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>3.0 %</b>	<b>3.0 %</b>	<b>3.0 %</b>	<b>3.4 %</b>
<b>Assumed Net Rate</b>	<b>7.5 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>7.9 %</b>

## Police

	Year Ended September 30					Average for Period
	2012	2011	2010	2009	2008	
Total Rate of Return	0.9%	1.6%	3.2%	3.9%	6.0%	3.1%
less investment expenses	0.3	0.4	0.4	0.3	0.5	0.4
Net Rate of Return	0.6	1.2	2.8	3.6	5.5	2.7
less inflation rate	2.0	3.9	1.1	(1.3)	4.9	2.1
Net Real Rate of Return	(1.4)	(2.7)	1.7	4.9	0.6	0.6
<b>Assumed Real Rate</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.4%</b>
<b>Assumed Net Rate</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.9%</b>

## Fire

	Year Ended September 30					Average for Period
	2012	2011	2010	2009	2008	
Total Rate of Return	0.9%	1.3%	3.0%	1.5%	5.3%	2.4%
less investment expenses	0.2	0.3	0.3	0.3	0.5	0.3
Net Rate of Return	0.7	1.0	2.7	1.2	4.8	2.1
less inflation rate	2.0	3.9	1.1	(1.3)	4.9	2.1
Net Real Rate of Return	(1.3)	(2.9)	1.6	2.5	(0.1)	0.0
<b>Assumed Real Rate</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.4%</b>
<b>Assumed Net Rate</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.9%</b>

The total investment return rate was computed using the approximate formula  $i = I$  divided by  $1/2 (A + B - I)$ , where I is actual realized investment income plus market value adjustments, A is the beginning of year asset value, and B is the end of year asset value.

The preceding investment return rates reflect the particular characteristics of these Retirement Systems and should not be used to measure an investment advisor's performance or for comparison with other retirement systems. Such use will usually mislead.

**SALARY INCREASES.** Employee salaries are assumed to increase between the date of hire and date of retirement or DROP election, if earlier. Salary increases occur in recognition of (i) individual merit and seniority, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) competition from other employers for personnel. A schedule of assumed rates of increase in individual salaries for sample ages follows:

Attributable to:	Annual Rates of Salary Increase for Sample Ages				
	20	30	40	50	60
Merit & Seniority	3.8 %	2.7 %	2.1 %	1.1 %	0.2 %
General Increase in Wage Level Due to:					
Inflation	3.0	3.0	3.0	3.0	3.0
Other Causes	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Totals</b>	<b>7.3 %</b>	<b>6.2 %</b>	<b>5.6 %</b>	<b>4.6 %</b>	<b>3.7 %</b>

A schedule of recent salary change experience, as measured by average reported pay, follows:

	Year Ended September 30					Average 10-Year#
	2012	2011	2010	2009	2008	
% Change: Actual*						
- Gen.	0.6 %	1.0 %	1.1 %	5.6 %	6.3 %	
- O.R.	(2.1)	2.1	1.5	9.4	5.5	
- Pol.	1.9	0.8	1.1	16.4	11.6	
- Fire	(5.7)	0.4	3.1	16.1	6.5	
Assumed						
- Gen.	4.9	7.0	6.9	7.0	7.0	
- O.R.	5.4	7.5	7.7	7.7	7.6	
- Pol.	6.6	6.7	7.6	7.7	7.6	
- Fire	6.7	6.8	7.7	7.7	7.7	
% Change in Total Payroll						
- Gen.	(9.7)	(4.8)	-12.7	4.3	0.2	0.6 %
- O.R.	(2.1)	(50.1)	(21.2)	27.8	(10.9)	1.2
- Pol.	(18.8)	(13.6)	(2.3)	16.5	(8.0)	2.4
- Fire	(20.5)	(17.3)	(2.8)	9.9	2.0	4.7

\* Based on members who were active throughout the year.

# With the adoption of new economic assumptions, consultation with the Town or its budgeted payroll projections, and the Town's policy of contributing on a projected dollar basis using 3.5% wage inflation, this report uses 3.5% inflation for purposes of compliance with F.S. 112.64(5).

In order to achieve the funding objective of a contribution rate which remains level as a percent-of-payroll, the total rate of investment return must exceed the rate of average increase in salaries by an amount equal to the assumed real investment return rate. The following schedule illustrates the recent history of the relationship between total investment return and average pay changes.

	<b>Year Ended September 30</b>					<b>Average 5-Year</b>
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	
<b>Net Rate of Investment</b>						
<b>Return</b>						
- Gen./O.R.	1.9 %	1.7 %	2.9 %	(1.2) %	1.9 %	1.4 %
- Pol.	0.9	1.6	3.2	3.9	6.0	3.1
- Fire	0.9	1.3	3.0	1.5	5.3	2.4
<b>Rate of Change</b>						
<b>in Average Pay -</b>						
- Gen.	0.6	1.0	1.1	5.6	6.3	2.9
- O.R.	(2.1)	2.1	1.5	9.4	5.5	3.3
- Pol.	1.9	0.8	1.1	16.4	11.6	5.8
- Fire	(5.7)	0.4	3.1	16.1	6.5	5.8
<b>Difference: Actual -</b>						
- Gen.	1.3	0.7	1.8	(6.8)	(4.4)	(1.5)
- O.R.	4.0	(0.4)	1.4	(10.6)	(3.6)	(1.8)
- Pol.	(1.0)	0.8	2.1	(12.5)	(5.6)	(0.6)
- Fire	6.6	0.9	(0.1)	(14.6)	(1.2)	(1.3)
<b>Target</b>	- All	4.0	4.0	3.0	3.0	3.4



**MORTALITY TABLE.** The mortality tables used to measure retired life mortality were the RP-2000 Combined healthy mortality table for males and the RP-2000 Combined healthy mortality table for females. The mortality rates used in evaluating disability allowances were the RP-2000 Combined mortality tables, set forward 10 years for males and females. No margin for future mortality improvements are included in these tables.

<b>Sample Ages</b>	<b>Value of \$1 Monthly for Life</b>		<b>Future Life Expectancy (Years)</b>	
	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
50	\$141.96	\$145.59	30.80	33.59
55	133.68	138.42	26.18	28.91
60	123.21	129.20	21.74	24.38
65	110.73	118.12	17.61	20.12
70	96.66	105.41	13.88	16.23
75	81.22	91.30	10.57	12.74
80	65.29	76.14	7.75	9.68

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

**RATES OF SEPARATION FROM ACTIVE MEMBERSHIP.** The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of active members remaining in employment.

Sample Ages	Years of Service	Percent Separating Within Next Year			
		General	Ocean Rescue	Police	Fire
ALL	0	40.00 %	15.00 %	15.00 %	15.00 %
	1	25.00	10.00	10.00	10.00
	2	15.00	8.00	8.00	8.00
	3	10.00	7.00	7.00	7.00
	4	7.00	6.00	6.00	6.00
20	5 & Over	6.00	5.00	5.00	5.00
25		6.00	5.00	5.00	5.00
30		5.50	4.50	4.50	4.50
35		4.40	3.55	3.55	3.55
40		1.85	1.45	1.45	1.45
45		1.25	0.75	0.75	0.75
50		1.25	0.75	0.75	0.75
55		1.25	0.75	0.75	0.75
60		1.25	--	--	--

**RATES OF DISABILITY.** This assumption measures the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled Within Next Year	
	Men	Women
20	0.07 %	0.03 %
25	0.09	0.05
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76
60	1.53	1.10
65	1.65	0.98

The mortality table was set forward 10 years from the age at disability for projecting disability costs, of which 25% of General and 50% of Ocean Rescue, Police and Fire were assumed to be duty related.

**RATES OF RETIREMENT.** This assumption measures the probabilities of eligible grandfathered members retiring or electing DROP during the next year.

### General and Ocean Rescue

Retirement Ages	Percent Retiring		Early Retirement Ages	Percent Retiring General
	General	Ocean Rescue		
45		25%		
46		25		
47		25		
48		25		
49		25		
50	15%	25	50	5%
51	10	25	51	5
52	10	25	52	5
53	10	25	53	5
54	10	25	54	5
55	15	25		
56	15	25		
57	15	25		
58	15	25		
59	15	25		
60	15	50		
61	15	60		
62	30	70		
63	15	80		
64	15	90		
65	60	100		
66	30			
67	40			
68	50			
69	90			
70	100			

## Police and Fire

<u>Age &amp; Service</u>		<u>Rule of 65</u>		<u>Service Based</u>	
<u>Retirement</u>	<u>Percent</u>	<u>Age Plus</u>	<u>Percent</u>	<u>Service</u>	<u>Percent</u>
<u>Ages</u>	<u>Retiring</u>	<u>Service</u>	<u>Retiring</u>	<u>Based</u>	<u>Retiring</u>
50	70%	65	70%	20	70%
51	70	66	70	21	70
52	70	67	70	22	70
53	70	68	70	23	70
54	70	69	70	24	70
55	70	70	100	25	100
56	70				
57	70				
58	70				
59	70				
60	100				

A General member is eligible for normal retirement after 30 years of credited service or after attaining age 55 with 10 years of credited service.

A Ocean Rescue member is eligible for normal retirement after attaining age 50 with 10 years of credited service or when an individual's age plus credited service totals 65 years or more.

A Police or Fire member is eligible for normal retirement after attaining age 50 with 10 years of credited service or when an individual's age plus credited service totals 65 years or more or has 20 years of credited service regardless of age.

## New Plan Provisions

<u>Retirement</u>	<u>Percent Retiring</u>	<u>Early</u>	<u>Percent Retiring</u>
		<u>Retirement</u>	
<u>Ages</u>	<u>General/Ocean Rescue/Police/Fire</u>	<u>Ages</u>	<u>General</u>
		60	5%
		61	5
		62	5
		63	5
		64	5
65	100		

A member is eligible for normal retirement under new plan provisions at age 65 with 10 years credited service.

## **Summary of Assumptions Used September 30, 2012 Miscellaneous and Technical Assumptions**

**Vested members** who terminate with a benefit worth less than 100% of their own accumulated contributions were assumed to elect a refund and to forfeit their vested benefit.

**Administrative expenses** are reimbursed on a retrospective basis by an addition to the Town contribution rate.

**Active Member Group Size.** The valuation was based on an active member group size which will decrease with members entering the DROP and then stabilize.

**Earnings** reported for the actuarial valuation include all amounts included in average earnings for benefit purposes.

**Investment expenses** are an offset against total investment income.

**Marriage Proportion.** 90% of active members who meet the age and service requirements for pre-retirement survivor benefits are assumed to be married. In each case the male was assumed to be 3 years older than the female.

**Lump sum payments** for unused accumulated leave time are excluded in determining pension amounts pursuant to the Town of Palm Beach Code of Ordinances.

**Pay Increase Timing.** Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

**Decrement Timing.** Decrements of all types are assumed to occur mid-year.

**Eligibility Testing.** Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

**Benefit Service.** Exact fractional service is used to determine the amount of benefit payable.

**Summary of Assumptions Used  
September 30, 2012  
Miscellaneous and Technical Assumptions**

**Decrement Relativity.** Decrement rates are used directly, without adjustment for multiple decrement table effects.

**Decrement Operation.** Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.

**Normal Form of Benefit.** The assumed normal form of benefit is the straight life form.

**Incidence of Contributions.** Contributions are assumed to be received continuously throughout the year based upon the computed percent-of-payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

## Definitions of Technical Terms

**ACCRUED SERVICE.** Service credited under the System which was rendered before the date of the actuarial valuation.

**ACTUARIAL ACCRUED LIABILITY.** The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs. Also referred to as "accrued liability" or "past service liability."

**ACTUARIAL ASSUMPTIONS.** Estimates of expected future experience with respect to rates of mortality, disability, separation, retirement, rate or rates of investment income and salary increases. Decrement estimates (rates of mortality, disability, separation and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic estimates (salary increases and investment income) consist of the underlying rates in an inflation-free environment plus a provision for a long-term average rate of inflation.

**ACTUARIAL COST METHOD.** A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal cost and actuarial accrued liabilities. Sometimes referred to as the "actuarial valuation cost method."

**ACTUARIAL EQUIVALENT.** A single amount or series of amounts of equal actuarial present value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

**ACTUARIAL PRESENT VALUE.** The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment. Also referred to as "present value."

**AMORTIZATION.** Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying it off with a lump sum payment.

**EXPERIENCE GAIN (LOSS).** The difference between actual actuarial costs and assumed actuarial costs -- during the period between two valuation dates.

## Definitions of Technical Terms

**FUNDING VALUE OF ASSETS.** Also referred to as actuarial value of assets, smoothed market value of assets, or valuation assets.

Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, valuation assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, valuation assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, valuation assets will become equal to market value.

**NORMAL COST.** The actuarial cost allocated to the current year by the actuarial cost method. Sometimes referred to as "current service cost."

**UNFUNDED ACTUARIAL ACCRUED LIABILITIES.** The difference between actuarial accrued liabilities and the actuarial value of System assets. Sometimes referred to as "unfunded past service liability," "unfunded accrued liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liability. It arises each time new benefits are added and each time an experience loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to control the amount of unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).



May 10, 2013

Mr. William Hanes, Esq.  
Pension Administrator  
William P. Hanes Consulting, Inc.  
249 Royal Palm Way – Room 301 D  
Palm Beach, Florida 33480

Dear Mr. Hanes:

Enclosed are twenty copies of the Combined Annual Actuarial Valuation Report as of September 30, 2012 for the Town of Palm Beach Retirement System.

One copy should be sent, within 60 days to:

Department of Management Services  
Division of Retirement  
Bureau of Program Services  
2639 North Monroe Street  
Tallahassee, Florida 32399-1560

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA

BLA:bd  
Enclosures

cc: Nowlen Holt & Minter P.A.  
Attn: Mr. Ronald Bennett (2 copies)

**UPDATED 5/2011**

**Nowlen Holt & Minter, P.A.  
Attn: Mr. Ronald Bennett  
215 5<sup>th</sup> Street,,Suite 200  
West Palm Beach, FL 33401**