

**CITY OF PALM BAY
POLICE OFFICERS AND
FIREFIGHTERS PENSION FUND
(Firefighters)**

**ACTUARIAL VALUATION
AS OF OCTOBER 1, 2010**

**CONTRIBUTIONS APPLICABLE TO THE
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

April 4, 2011

Board of Trustees
City of Palm Bay Police & Fire Pension Fund
Conlan Professional Center
1501 Robert J. Conlan Blvd. NE Suite 260
Palm Bay, FL 32905-3567

Re: City of Palm Bay
Police Officers and Firefighters Pension Fund

Dear Board of Trustees:

We are pleased to present our report of the annual actuarial valuation of the City of Palm Bay Police Officers and Firefighters Pension Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, 175 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Ms. Adams and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Board of Trustees
April 4, 2011
Page Two

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Palm Bay, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Palm Bay Police Officers and Firefighters Pension Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #08-6901

BRH/lsw

Enclosures

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SECTION I
INTRODUCTION

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palm Bay Police Officers and Firefighters Pension Fund (Firefighters), performed as of October 1, 2010, has been completed, and the results are presented in this Report. The contribution amounts set forth herein are applicable to the fiscal year ended September 30, 2012.

The contribution requirements developed in this valuation, compared with amounts developed in the October 1, 2009 actuarial valuation report, are as follows:

Valuation Date	10/1/2010	10/1/2009
Applicable Fiscal Year End	<u>9/30/2012</u>	<u>9/30/2011</u>
Total Required Contribution		
% of Total Annual Payroll	42.55%	36.31%
Expected Member Contributions		
% of Total Annual Payroll	8.76%	8.76%
Required City and State Cont's		
% of Total Annual Payroll	33.79%	27.55%
Estimated State Contribution *	437,330	437,330
% of Total Annual Payroll	8.86%	8.86%
Balance From City		
% of Total Annual Payroll	24.93%	18.69%

* "Frozen" pursuant to Chapter 175, Florida Statutes, until benefits are improved.

**** As requested by the Division of Retirement, the required contribution from the combination of City and State sources for the year ending September 30, 2012, is 33.79% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 24.93% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received.**

As can be seen, the Total Required Contribution has increased when expressed as a percentage of projected annual payroll. This increase is partially attributable to actuarial loss over the past year. The primary components of the actuarial loss included

a 2.1% investment return (Actuarial Asset basis before fresh starting to market) that was less than the assumed rate and lower than expected turnover. These losses were partially offset by the effect of lower than expected average increases in pensionable compensation and fresh starting the Actuarial Value of Assets. The Total Required Contribution percentage also increased as a result of spreading the Amortization Amount over a smaller payroll. The Total Annual Payroll under Assumed Retirement Age decreased by 15% resulting in an increase of approximately 2% of payroll to cover the payment required to amortize the Unfunded Actuarial Accrued Liability.

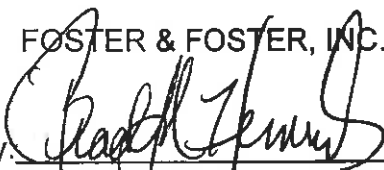
The above requirements reflect one assumption change as outlined on the following page. Florida Statutes require that the payroll growth assumption is no higher than the actual 10 year average payroll growth; this required us to lower the payroll growth assumption from 4.0% to 3.14% to comply which resulted in a 1.0% of projected annual payroll increase in the required contribution.

For informational purposes, the City's funding requirement, when expressed a percentage of payroll, including an estimate of the annual pay for the DROP participants, is approximately 6.3% less than the rate shown on the previous page. In other words, the City's requirement for the 2011/2012 fiscal year is estimated at 18.6% when including DROP payroll. It is important to note that this rate is for illustration purposes only and the City should budget based on the information provided on page 1.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Bradley R. Heinrichs, FSA

By: 
Patrick T. Donlan, EA

Plan Changes Since Prior Valuation

There have been no plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There has been one change to the funding method since the prior valuation.

At the May 2010 Board of Trustees meeting, the decision was made to fresh start the Actuarial Value of Assets with the October 1, 2010 valuation. The new asset method will recognize investment gains or losses at a rate of 25% per year.

Additionally, the Payroll Growth assumption for the purpose of amortizing the Unfunded Actuarial Accrued Liability is limited to the historical 10-year average increase in payroll, which was 3.14% in this report. Last year, 4.0% was used.

Comparative Summary of Principal Valuation Results (Fire)

A. Participant Data	New Method <u>10/1/2010</u>	Old Method <u>10/1/2010</u>	Old Method <u>10/1/2009</u>
Number Included			
Actives	91	91	100
Service Retirees	18	18	15
Beneficiaries	2	2	2
Terminated Vested	5	5	2
Disability Retirees	4	4	4
DROP Retirees	21	21	16
Total	<u>141</u>	<u>141</u>	<u>139</u>
Total Annual Payroll	\$5,430,244	\$5,430,244	\$6,115,468
Payroll Under Assumed Ret. Age	4,933,585	4,933,585	5,782,467
Annual Rate of Payments to:			
Service Retirees	861,041	861,041	680,670
Beneficiaries	60,054	60,054	60,054
Terminated Vested	38,592	38,592	16,822
Disability Retirees	104,225	104,225	104,225
DROP Retirees	1,430,875	1,430,875	1,051,797
B. Assets			
Actuarial Value	50,666,528	48,241,846	47,447,662
Market Value	50,666,528	50,666,528	46,403,548
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	35,055,719	35,055,719	40,663,245
Disability Benefits	1,607,924	1,607,924	1,748,088
Death Benefits	395,592	395,592	428,038
Vested Benefits	683,351	683,351	728,163
Refund of Contributions	23,297	23,297	24,289
Service Retirees	9,451,859	9,451,859	7,580,258
Beneficiaries	579,814	579,814	586,930
Terminated Vested	620,558	620,558	230,477
Disability Retirees	1,126,023	1,126,023	1,144,087
DROP Retirees *	18,520,468	18,520,468	12,730,764
Excess State Monies Reserve	889,857	889,857	723,233
Total	<u>68,954,462</u>	<u>68,954,462</u>	<u>66,587,572</u>

* Liabilities shown represent present value of future payments. Assets in item B., above, do not include accumulated DROP account balances.

Comparative Summary of Principal Valuation Results (Fire)

C. Liabilities - (Continued)	New Method <u>10/1/2010</u>	Old Method <u>10/1/2010</u>	Old Method <u>10/1/2009</u>
Present Value of Future Salaries	33,059,705	33,059,705	35,709,024
Present Value of Future Member Contributions	2,896,030	2,896,030	3,128,111
EAN Normal Cost (Retirement)	971,404	971,404	1,125,663
EAN Normal Cost (Disability)	136,242	136,242	162,081
EAN Normal Cost (Death)	27,953	27,953	31,760
EAN Normal Cost (Vesting)	42,996	42,996	48,101
EAN Normal Cost (Refunds)	6,921	6,921	8,301
Total Normal Cost (Entry Age Method)	<u>1,185,516</u>	<u>1,185,516</u>	<u>1,375,906</u>
Present Value of Future Normal Costs	7,827,013	8,532,300	8,470,591
Accrued Liability (Retirement)	28,614,010	28,614,010	33,680,500
Accrued Liability (Disability)	698,598	698,598	764,001
Accrued Liability (Death)	199,845	199,845	219,324
Accrued Liability (Vesting)	421,094	421,094	451,837
Accrued Liability (Refunds)	5,323	5,323	5,570
Accrued Liability (Inactives)	30,298,722	30,298,722	22,272,516
Excess State Monies Reserve	889,857	889,857	723,233
Total Actuarial Accrued Liability	<u>61,127,449</u>	<u>61,127,449</u>	<u>58,116,981</u>
Unfunded Actuarial Accrued Liability (UAAL)	10,460,921	12,885,603	10,669,320
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	30,298,722	30,298,722	22,272,516
Actives	13,785,693	13,785,693	15,932,779
Member Contributions	<u>3,385,876</u>	<u>3,385,876</u>	<u>3,595,037</u>
Total	47,470,291	47,470,291	41,800,332
Non-vested Accrued Benefits	<u>4,395,470</u>	<u>4,395,470</u>	<u>6,060,614</u>
Total Present Value Accrued Benefits	51,865,761	51,865,761	47,860,946
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Assumption Changes	0	0	
New Accrued Benefits	0	1,031,375	
Benefits Paid	0	(1,050,111)	
Interest	0	4,023,551	
Other	<u>0</u>	<u>0</u>	
Total:	0	4,004,815	

Comparative Summary of Principal Valuation Results (Fire)

Valuation Date Applicable to Fiscal Year Ending	New Method 10/1/2010 <u>9/30/2012</u>	Old Method 10/1/2010 <u>9/30/2012</u>	Old Method 10/1/2009 <u>9/30/2011</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll*	25.05	25.05	23.45
Administrative Expense (with interest) % of Total Annual Payroll*	3.01	3.01	2.15
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/10) % of Total Annual Payroll*	14.49	17.73	10.70
Total Required Contribution % of Total Annual Payroll*	42.55	45.79	36.31
Expected Member Contributions % of Total Annual Payroll*	8.76	8.76	8.76
Required City and State Contributions % of Total Annual Payroll*	33.79	37.03	27.55

F. Past Contributions

Plan Years Ending:	<u>9/30/2010</u>
City and State Requirement	1,209,311
Actual Contributions Made:	
Members	704,709
City	771,981
State	437,330 **
Total	<u>1,914,020</u>

G. Net Actuarial Gain (Loss) (1,505,889)

* Contributions developed as of 10/1/10 are expressed as a percentage of total annual payroll at 10/1/10 of \$4,933,585

** "Frozen" pursuant to Chapter 175, Florida Statutes, as amended.

Comparative Summary of Principal Valuation Results

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2010	\$10,460,921
2011	10,605,885
2012	10,739,802
2017	11,179,026
2022	11,008,627
2032	6,807,215
2040	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2010	1.4%	6.5%
Year Ended	9/30/2009	6.9%	6.5%
Year Ended	9/30/2008	7.4%	6.5%

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

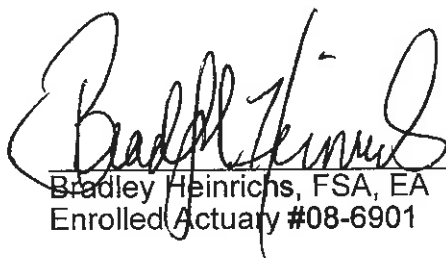
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2010	2.1%	8.5%
Year Ended	9/30/2009	1.8%	8.5%
Year Ended	9/30/2008	3.9%	8.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2010	\$5,430,244
	10/1/2000	3,987,657
(b) Total Increase		36.2%
(c) Number of Years		10.00
(d) Average Annual Rate		3.14%

Statement by Enrolled Actuary

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

 4/5/2011
Bradley Heinrichs, FSA, EA
Enrolled Actuary #08-6901

A copy of this Report is to be furnished to the Division of Retirement within 60 days of receipt from the actuary at the following address:

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

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

SECTION II
VALUATION INFORMATION

Reconciliation of Unfunded Actuarial Accrued Liabilities
(Fire)

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2009	\$10,669,320
(2)	Sponsor Normal Cost developed as of October 1, 2009 *	966,562
(3)	Expected Interest on (1) and (2)	989,050
(4)	Sponsor Contributions to the System during the plan year ending September 30, 2010	1,209,311
(5)	Expected Interest on (5)	35,907
(6)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2010 (1)+(2)+(3)-(4)-(5)	11,379,714
(7)	Change to UAAL due to Actuarial (Gain)/Loss	1,505,889
(8)	Change to UAAL due to Method Change	(2,424,682)
(9)	Unfunded Accrued Liability as of October 1, 2010 (6)+(7)+(8)	10,460,921

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2010 Amount</u>	<u>Amortization Amount</u>
"A"	10/1/2003	23	3,870	278
"B"	10/1/2004	24	421	30
"C"	10/1/2005	25	46,811	3,220
"D"	10/1/2005	25	11,967	823
"E"	10/1/2006	26	(845)	(57)
"F"	10/1/2006	26	29,084	1,962
Loss	10/1/2007	27	4,998,433	331,287
Loss	10/1/2008	28	2,832,034	184,586
Loss	10/1/2009	29	3,457,939	221,881
Loss	10/1/2010	30	1,505,889	95,221
Method	10/1/2010	30	<u>(2,424,682)</u>	<u>(153,318)</u>
			10,460,921	685,913

*Includes administrative expenses

RECENT HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>State Monies</u>	<u>Increase from Previous Year</u>
1999	183,210.00	_____%
2000	194,013.00	5.9%
2001	202,046.00	4.1%
2002	241,348.00	19.5%
2003	267,090.00	10.7%
2004	304,875.00	14.1%
2005	361,705.00	18.6%
2006	442,391.15	22.3%
2007	562,486.88	27.1%
2008	724,397.17	28.8%
2009	610,510.09	-15.7%
2010	603,953.91	-1.1%

EXCESS STATE MONIES RESERVE (FIRE)

	Regular Distribution			Special Distribution			Addition to Excess State Monies Reserve
	Actual State Contribution	Applicable "Frozen" Amount	Actual State Contribution	Applicable "Frozen" Amount	Actual State Contribution	Applicable "Frozen" Amount	
1998	\$137,359.61	\$137,359.61	N/A	N/A	N/A	N/A	
1999	183,210.18	137,359.61	0.00	0.00	0.00	0.00	45,850.57
2000	194,012.88	175,711.61	0.00	0.00	0.00	0.00	18,301.27
2001	202,046.08	175,711.61	0.00	0.00	0.00	0.00	26,334.47
2002	241,347.74	175,711.61	0.00	0.00	0.00	0.00	65,636.13
2003	267,090.23	228,788.61	0.00	0.00	0.00	0.00	38,301.62
2004	304,874.85	267,089.61	0.00	0.00	0.00	0.00	37,785.24
2005	361,705.29	304,563.61	0.00	0.00	0.00	0.00	57,141.68
2006	442,391.15	304,563.61	0.00	0.00	0.00	0.00	137,827.54
2007	451,636.27	437,329.61	110,850.61	0.00	0.00	0.00	14,306.66
2008	549,846.07	437,329.61	174,551.10	0.00	0.00	0.00	112,516.46
2009	561,427.94	437,329.61	49,082.15	0.00	0.00	0.00	124,098.33
2010	553,738.18	437,329.61	50,215.73	0.00	0.00	0.00	<u>116,408.57</u>
							794,508.54
Accumulated Regular Excess							794,508.54
Accumulated Special Excess							<u>384,699.59</u>
Total Accumulated Excess							1,179,208.13
Less Amounts Used For Ord No. 2003-09							(90,486.31)
Less Amounts Used For Ord No. 2004-04							(65,636.13)
Less Amounts Used For Ord No. 2005-27							(103,937.00)
Less Amounts Used For Ord No. 2007-111							<u>(29,291.54)</u>
Total Current State Monies Reserve							889,857.15

Please note that the 2007 row includes two Special Distributions to come in line with how the Annual Report handles those distributions.

384,699.59

SECTION III
TRUST FUND

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

BALANCE SHEET
September 30, 2010

<u>ASSETS</u>	<u>MARKET VALUE</u>
Cash and Cash Equivalents:	
Prepaid Expenses	4,856.57
Deposits	496.34
Cash, Checking and Savings	1,865,725.00
Total Cash and Equivalents	1,871,077.91
Receivable:	
Member Benefit Overpayment	30.00
State Contributions	50,215.73
From Police Officers' Trust Fund	5,370.37
Accounts Receivable	1,862.47
From General Employees' Trust Fund	3,799.58
Accrued Income	9,888.89
Total Receivable	71,167.04
Investments:	
Mutual Funds:	
Equity	3,863,712.00
International Equity	7,647,423.00
Pooled/Common/Commingled Funds:	
Fixed Income	15,219,633.00
Equity	23,371,499.00
Total Investments	50,102,267.00
TOTAL ASSETS	52,044,511.95
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
Termination Payments	13,373.56
Unpaid Investment Expenses	54,915.46
Unpaid Administrative Expenses	7,288.98
Prepaid City Contribution	158,073.83
Total Liabilities	233,651.83
Net Assets:	
Active and Retired Members' Equity	50,666,528.36
DROP Plan Benefits	1,144,331.76
Total Net Assets	51,810,860.12
TOTAL LIABILITIES AND NET ASSETS	52,044,511.95

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2010
Market Value Basis

INCOME

Contributions:		
Member	536,382.91	
Buy-Back	168,326.17	
City	771,981.17	
State	603,953.91	
Total Contributions		2,080,644.16
Earnings from Investments		
Interest & Dividends	134,210.00	
Net Realized Gain (Loss)	49,950.00	
Unrealized Gain (Loss)	4,481,734.08	
Total Earnings and Investment Gains		4,665,894.08
	EXPENSES	
Administrative Expenses:		
Investment Related*	186,839.00	
Other	142,544.09	
Total Expenses		329,383.09
Distributions to Members:		
Benefit Payments	1,019,859.39	
Lump Sum DROP Balances	131,761.42	
Termination Payments	30,251.14	
Total Distributions		1,181,871.95
DROP Account Net Change		972,302.79
Change in Net Assets for the Year		4,262,980.41
Net Assets Beginning of the Year		46,403,547.95
Net Assets End of the Year		50,666,528.36

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

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

ACTUARIAL ASSET VALUATION
September 30, 2010

Actuarial Assets are developed by recognizing the realized and unrealized appreciation or depreciation for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized.

Capital Appreciation Not Yet Recognized

Plan Year <u>Ended</u>	(A) Capital <u>Appreciation</u>	(B) Amount of (A) Recognized <u>Each Year</u>	(C) Amount of (A) Recognized by <u>Valuation Date</u>	(D) Amount of (A) Unrecognized by <u>Valuation date</u>
9/30/2006	1,760,368	352,074	1,760,368	0
9/30/2007	4,127,901	825,580	3,302,321	825,580
9/30/2008	(5,185,322)	(1,037,064)	(3,111,193)	(2,074,129)
9/30/2009	79,808	15,962	31,923	47,885
9/30/2010	<u>4,531,684</u>	<u>906,337</u>	<u>906,337</u>	<u>3,625,347</u>
Total	\$ 5,314,439	\$ 1,062,889	\$ 2,889,756	\$ 2,424,683

Development of Actuarial Value of Assets

Market Value of Assets (MVA), 10/1/2010	50,666,528
Capital Appreciation Not Yet Recognized	<u>(2,424,683)</u>
Preliminary Actuarial Value of Assets, 10/1/2010	48,241,846
Range from 80% to 120% of MVA: \$ 40,533,223 to \$ 60,799,834	
Final Actuarial Value of Assets, 10/1/2010	48,241,846
(A) 9/30/2009 Actuarial Assets:	47,447,662
(I) Net Investment Income:	
1. Interest and Dividends	134,210
2. Realized Gains (Losses)	49,950
3. Change in Actuarial Value	1,012,938
4. Investment Expenses	<u>186,839</u>
Total (1.+ 2.+ 3.- 4.)	1,010,259
(B) 10/1/2010 Actuarial Assets:	48,241,846
Actuarial Asset Rate of Return = 2I/(A+B-I):	2.1%

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2010
Actuarial Asset Basis

INCOME		
Contributions:		
Member	536,382.91	
Buy-Back	168,326.17	
City	771,981.17	
State	603,953.91	
Total Contributions		2,080,644.16
Earnings from Investments		
Interest & Dividends	134,210.00	
Net Realized Gain (Loss)	49,950.00	
Change in Actuarial Value	1,012,938.00	
Total Earnings and Investment Gains		1,197,098.00
EXPENSES		
Administrative Expenses:		
Investment Related*	186,839.00	
Other	142,544.09	
Total Administrative Expenses		329,383.09
Distributions to Members:		
Benefit Payments	1,019,859.39	
Lump Sum DROP Balances	131,761.42	
Termination Payments	30,251.14	
Total Distributions		1,181,871.95
DROP Account Net Change		972,302.79
Change in Net Assets for the Year		794,184.33
Net Assets Beginning of the Year		47,447,661.50
Net Assets End of the Year**		48,241,845.83

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

**Net Assets may be limited for actuarial consideration

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2009 through September 30, 2010

Name	9/30/09 Balance	Additions	Investment Return	Distributions	9/30/10 Balance
Andrukaitis, Mark	0.00	76,860.00	4,893.07	0.00	81,753.07
Beatty, Michael	19,929.02	74,598.60	6,709.26	0.00	101,236.88
Bliss, James	0.00	6,693.32	202.36	0.00	6,895.68
Bratsch, Ronald	0.00	17,901.60	1,129.89	0.00	19,031.49
Chapel, Coy	0.00	12,179.68	552.35	0.00	12,732.03
Couture, Michael	0.00	39,307.59	2,128.77	0.00	41,436.36
Davis, Roger	0.00	12,183.48	552.52	0.00	12,736.00
Dietz, Robert	0.00	80,680.08	5,136.25	0.00	85,816.33
Erario, Robert J.	101,685.20	0.00	0.00	(101,685.20)	0.00
Ginsburg, David	0.00	74,839.44	4,764.43	0.00	79,603.87
Green, Brian	0.00	6,176.28	186.73	0.00	6,363.01
Hanks, David	20,338.53	76,131.48	6,847.14	0.00	103,317.15
Havener, James	30,076.22	0.00	0.00	(30,076.22)	0.00
Laplante, Thomas	0.00	54,463.20	3,467.24	0.00	57,930.44
Leahy, William	0.00	62,753.52	3,995.03	0.00	66,748.55
Millwater, Alason	0.00	89,627.88	5,705.89	0.00	95,333.77
Mulligan, Robert	0.00	81,442.20	5,184.78	0.00	86,626.98
Pickard, Bradley	0.00	5,501.32	166.32	0.00	5,667.64
Renfro, Jr., Arthur	0.00	52,698.66	2,853.99	0.00	55,552.65
Richmond, Randal	0.00	64,403.28	4,100.04	0.00	68,503.32
Schoonmaker, Cliff	0.00	64,425.96	4,101.47	0.00	68,527.43
Spurlock, Larry	0.00	18,349.32	1,168.15	0.00	19,517.47
Townend, James	0.00	64,871.76	4,129.88	0.00	69,001.64
Total	172,028.97	1,036,088.65	67,975.56	(131,761.42)	1,144,331.76

SECTION IV
MEMBER STATISTICS

FIREFIGHTERS ELIGIBILITY FOR RETIREMENT

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

- 1) Attained Age 55
- or 2) 25 Years of Credited Service regardless of Age

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

- 1) Attained Age 45 with 20 Years of Credited Service
- or 2) Attained Age 50 with 10 Years of Credited Service

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

Normal Retirement	Early Retirement
<p>Abraira, Steve E. Duy, Clifton E. Harrell, Robert, Jr.</p>	<p>Allton, Jeffrey L. Borkowski, Edwin Bradbury, Rick E. Cameron, Gordon S. Gould, Eric J. Grice, Louis K. Harrison, Jackie A. Kelley, Keith B. Martin, Glenn E. Myers, Donald Riggle, Thomas B. Roberts, Ray L. Robertson, John D. Shunk, Robert Smith, Douglas Tetreault, Robert Twiss, Karen J. Yonce, William Youhas, Robert J. Zades, Steven</p>

FIREFIGHTERS STATISTICAL DATA

(Averages are salary weighted)

<u>Active Members</u>	<u>10/1/2008</u>	<u>10/1/2009</u>	<u>10/1/2010</u>
Average Current Age	43.8	42.6	42.2
Average Age at Employment	27.8	27.8	27.9
Average Past Service	16.0	14.8	14.4
Average Annual Salary	\$60,251	\$61,155	\$59,673

FIREFIGHTERS AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	1	2	0	1	0	0	0	0	0	0	0	4
25 - 29	1	0	1	2	0	1	0	0	0	0	0	5
30 - 34	0	1	1	0	1	10	4	0	0	0	0	17
35 - 39	1	0	0	1	1	1	4	1	0	0	0	9
40 - 44	0	0	0	1	0	5	5	2	5	0	0	18
45 - 49	0	0	0	0	0	1	5	5	13	1	0	25
50 - 54	0	1	0	1	0	0	0	3	3	0	0	8
55 - 59	0	0	0	1	0	0	0	2	1	0	0	4
60 - 64	0	0	0	0	0	0	1	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	4	2	7	2	18	19	13	22	1	0	91

VALUATION PARTICIPANT RECONCILIATION (FIRE)

1. Active lives

a. Number in prior valuation 10/1/09	100
b. Terminations	
i. Vested (partial or full) with deferred benefits	3
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	1
f. DROP	8
g. Continuing participants	88
h. New entrants	3
i. Total active life participants in valuation	91

2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	15	2	4	2	16	39
b. In	4	0	0	3	8	15
c. Out	1	0	0	0	3	4
d. Number current valuation	18	2	4	5	21	50

SECTION V

**SUMMARY OF PLAN PROVISIONS AND
ASSUMPTIONS AND FUNDING METHODS**

SUMMARY OF MAJOR PLAN PROVISIONS

The following summary is intended to state the plan of benefits valued in this report. It is not intended as a restatement or summary of benefits for any other purposes.

Membership: Effective May 2, 1974, any full-time firefighter or police officer having permanent status becomes a Plan Member immediately upon hire.

Collective Bargaining Agreements: Certain employees covered by the Plan are members of the Palm Bay Professional Firefighters (PBPF), IAFF, Local 2446.

Average Final Compensation (AFC): 1/12 of the average annual compensation of the best five years of the last ten years of credited service prior to retirement, DROP, termination or death.

Compensation: Base pay, excluding overtime, bonuses, and any other non-regular compensation received by a Member.

For firefighter Members, Compensation also includes holiday pay.

Credited Service: Years and complete months of uninterrupted service. Service is not considered to be interrupted by authorized leave of absence, vacation, or service (voluntary or involuntary) in the Armed Forces of the United States, with certain stipulations.

Service is not considered to be interrupted for purposes of vesting or eligibility where leave is granted pursuant to the Family and Medical Leave Act. The Member may receive Credited Service for purposes of benefit accrual if the Member contributes the employee contributions (with interest) that would have been contributed during the period of absence within 90 days after the member's return from leave.

Members may voluntarily leave accumulated contributions in the fund for a period of five years after leaving the employ of

the police or fire department pending the possibility of being re-employed without losing credit for that time.

Re-employed Members do not receive credit for time where accumulated contributions were withdrawn.

Members may purchase up to 4 years of service for prior military or sworn firefighter service/law enforcement experience (for which no benefit is payable). Firefighters must pay the full actuarial cost at the time of purchase.

NORMAL RETIREMENT

Fire Eligibility
(Normal Retirement Date):

The earliest (1) age 52 and completion of 25 years of Credited Service, (2) age 55, (3) upon completion of 25 years of Credited Service, regardless of age, or (4) upon completion of 28 years of Credited Service, regardless of age, with maximum benefit of 100% of Average Final Compensation.

Members are 100% vested upon Normal Retirement Benefit eligibility.

Firefighter Benefit:

For firefighters with less than 20 years service:
2.0% x Credited Service prior to 10/1/91,
plus 2.5% x AFC x Credited Service on and after 10/1/91.

For firefighters with 20 or more years of service:
3% x AFC x Credited Service (limited to 20),
plus 5% x AFC x Credited Service over 20 years.

In addition, Firefighters receive a Supplemental Benefit of \$189 per month payable over the life of the retiree only. Firefighters who retire on or after October 1, 2006, receive \$458 per month, instead of \$189.

In addition, Firefighters who terminate after October 1, 2008, receive a Supplemental Benefit equal to \$25 per month times years of Credited Service. This benefit will be payable for the life of the retiree, but shall cease when the member attains the age of Medicare eligibility.

Maximum Benefit:

100% of Average Final Compensation, exclusive of the Supplemental Benefits.

Normal Form of Benefit:

10-year Certain and Continuous annuity.

COLA:

Firefighters that retire on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years (the supplemental benefits are not increased).

EARLY RETIREMENT**Eligibility:**

Members may retire and receive the Early Retirement Benefit on the first day of any month prior to their Normal Retirement Date after attaining the earlier of (1) age 45 and completion of 20 years of Credited Service, or (2) age 50 and completion of 10 years of Credited Service.

Benefit:

The monthly Early Retirement Benefit payable is reduced by 3% each year the Early Retirement Benefit commences prior to the Normal Retirement Date.

The Supplemental Benefits payable to firefighters are not reduced for early commencement.

Normal Form of Benefit:

10-year Certain and Continuous annuity.

COLA:

Firefighters that retire on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years (the supplemental benefits are not increased).

DEFERRED RETIREMENT OPTION PLAN (DROP)**Eligibility - Fire:**

The earlier of the completion of 25 years of Credited Service, regardless of age, or age 55 and the completion of 10 years of Credited Service.

Benefit:

Once the DROP is entered into, monthly benefits are frozen and no further Participant Contributions are made. The benefit payable under the DROP is calculated as described upon the Normal Retirement Benefit. Upon DROP participation, monthly benefits that would have been payable had the Member terminated employment and elected to receive monthly pension payments are paid into the DROP account.

**Maximum DROP
Period:**

Members are limited to 60 months of DROP participation.

**Interest Rate Credited
To DROP Account:**

DROP account interest crediting is posted quarterly based on the actual pension fund returns, net of money manager fees and other expenses.

**Normal Form of
DROP Account:**

At the end of a Member's participation in the DROP, the distribution of the accumulated DROP account is payable in the following forms of distribution: (1) Annual installments payable each December (no less than 10% or \$10,000, whichever is greater), (2) Rollover to another qualified retirement plan, or (3) Lump sum balance paid directly to the Member.

**Normal Form of
Monthly Benefit:**

10-year Certain and Continuous annuity.

COLA:

Cost of Living Adjustments, if any, are applicable to the benefit of the Member while in the DROP.

Firefighters that retire on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years.

DISABILITY RETIREMENT

Eligibility:

In Line of Duty: Immediate
Not In Line of Duty: 10 years
DROP participants are not eligible for this benefit.

Disabled Definition:

Unable, by reason of medically determinable physical or mental impairment, to render useful and efficient service as a police officer or firefighter.

Benefit:

In Line of Duty Disability: 75% of Average Final Compensation, but not less than the accrued Normal Retirement Benefit.

Not In Line of Duty Disability: 25% of Average Final Compensation, but not less than the accrued Normal Retirement Benefit.

Normal Form of Benefit:

10-year Certain and Continuous annuity, ceasing upon recovery prior to Normal Retirement Eligibility.

In addition, Firefighters who become disabled after October 1, 2008, and are not being retained on the City's insurance at the expense of the City, receive a Supplemental Benefit equal to \$25 per month times years of Credited Service. This benefit will be payable for the life of the retiree, but shall cease when the member attains the age of Medicare eligibility.

COLA:

Firefighters that retire on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years.

DEATH WHILE IN SERVICE (FIREFIGHTER)**Benefit:**

Effective October 1, 2006, the beneficiary of any member whose death was directly caused by performance of the member's duty as a firefighter (as approved by the Board) shall be entitled to a monthly pension equal to the greater of the member's accrued benefit or 75% of the member's average final compensation.

Normal Form of Benefit:

Life annuity to the designated beneficiary.

COLA:

Beneficiaries of Firefighters that die on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years.

DEATH WHILE NOT IN SERVICE WITH MORE THAN 10 YEARS OF SERVICE(FIREFIGHTER)**Benefit:**

Effective October 1, 2006, the beneficiary of any member who had at least 10 years of Credited Service, whose death was not directly caused by performance of the member's duty as a firefighter, shall be entitled to a monthly pension equal to the greater of the member's accrued benefit or 25% of the member's average final compensation.

COLA: Beneficiaries of Firefighters that die on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years.

WITHDRAWAL – LESS THAN 5 YEARS OF CREDITED SERVICE

Eligibility : First day of work, up to 5 years of Credited Service.

Benefit: Accumulated contributions with 0% interest.

Form of Benefit: Lump Sum.

WITHDRAWAL – AFTER EARNING AT LEAST 5 YEARS OF CREDITED SERVICE

Eligibility: At least 5 years of Credited service.

Benefit: Participants who terminate employment prior to their Normal Retirement Date are entitled to their Normal Retirement Benefit calculated based on Credited Service and Average Final Compensation at their date of termination, multiplied by the Vesting Percentage, with deferred commencement at their Normal Retirement Date. This benefit is payable on a reduced basis as described under Early Retirement.

In addition, Firefighters who terminate after October 1, 2008, receive a Supplemental Benefit equal to \$25 per month times years of Credited Service. This benefit will be payable for the life of the retiree, but shall cease when the member attains the age of Medicare eligibility.

Vesting Percentage:

<u>Completed Years of Credited Service</u>	<u>Vesting Percentage</u>
<5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 +	100%

Form of Benefit: 10-YEAR Certain and Continuous annuity.

COLA: Firefighters that retire on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years.

MEMBER CONTRIBUTIONS

Contributions: Firefighters are required to contribute 8.76% of compensation effective October 1, 2008.

Interest Crediting Rate: 5.25% per year.

DATA SOURCES

Asset Data: The asset information is taken from audited statements furnished by the Retirement Office.

Member Data: The member data is supplied by the Retirement Office. It is reviewed for reasonableness and consistency, but no audit was performed. Foster & Foster, Inc. is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

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

Economic Assumptions

Interest: 8.5% per year, net of investment related expenses.

Salary Increase – Individual: 6.5% per year.

Salary Increase – Total Payroll: 4.0% per year.

Payroll Growth: Up to 4.0% per year (3.14% used in this valuation).

Administrative Expenses: 100% of administrative expense in the prior year is added to the Normal Cost.

Demographic Assumptions

Mortality:

- Service Retirement : RP2000 (Combined Healthy)
- Disability Retirement : RP2000 (Combined Healthy)
- Spouse: RP2000 (Combined Healthy)

75% of Deaths are assumed to be service connected.

Termination:

Terminations are assumed to occur according to the following sample probabilities.

<u>FIRE</u>	<u>Age</u>	<u>Assumed Rate</u>
	20	.140
	30	.050
	40	.022
	50	.006

Disability:

Disability is assumed to occur according to the following sample probabilities:

<u>Age</u>	<u>Probability</u>
20	0.0014
30	0.0018
40	0.0030
50	0.0100

75% of Disabilities are assumed to be service connected.

Service Retirement:

Members will retire Early at a rate of 5% per year prior to Normal Retirement. Members at Normal Retirement Age are assumed to work an additional year.

Form of Payment:

10-Year Certain and Continuous annuity.

Percentage Married At Retirement:

100% of active members are assumed married at retirement.

Spouse Ages:

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

Where spousal information was included for retirees, that information was used. If the age of the spouse was not provided, we have assumed that all spouses are still alive, and that female spouses are three years younger than their husbands.

ACTUARIAL METHODS

Funding Method: Entry Age Normal Cost Method

**Actuarial Value
of Assets:**

The market value of assets is adjusted to recognize, over a five-year period, investment earnings greater than (or less than) the assumed investment return. The Actuarial Value of Assets shall not be more than 120% nor less than 80% of the market value of assets. Details are shown in the Asset Information Section of the report.

Market Value used for October 1, 2010 report.

SECTION VI

**GOVERNMENTAL ACCOUNTING STANDARDS
BOARD DISCLOSURE STATEMENT**

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
(Firefighters)

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/10	50,668,528	61,129,449	10,460,921	82.89%	5,430,244	192.64%
10/01/09	47,447,662	58,116,982	10,669,320	81.64%	6,115,468	174.46%
10/01/08	45,394,772	49,604,004	4,209,232	91.51%	6,989,172	60.23%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2010	1,209,311	771,981	437,330 *	100.00%
2009	1,213,589	776,259	437,330 *	100.00%
2008	902,512	467,476	437,330 *	100.25%

* - "Frozen" per Chapter 175, Florida Statutes, as amended.