

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

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE
FISCAL YEAR ENDED SEPTEMBER 30, 2014

DRAFT

May 1, 2013

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 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 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.

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 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.

A handwritten signature in black ink, appearing to read "Bradley R. Heinrichs". The signature is written in a cursive style with a large initial "B".

By: _____
Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #11-6901

BRH/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palm Bay Police and Firefighters' Pension Fund (Firefighters), performed as of October 1, 2012, has been completed, and the results are presented in this Report. The contribution amounts set forth herein are applicable to the fiscal year ended September 30, 2014.

The contribution requirements developed in this valuation, compared with amounts developed in the October 1, 2011 actuarial valuation report, are as follows:

Valuation Date	10/1/2012	10/1/2011
Applicable Fiscal Year End	<u>9/30/2014</u>	<u>9/30/2013</u>
Total Required Contribution	\$3,004,118	
% of Total Annual Payroll		51.35%
Expected Member Contributions	\$475,600	
% of Total Annual Payroll		8.76%
Required City and State Cont's	\$2,528,518	
% of Total Annual Payroll		42.59%
Estimated State Contribution ¹	\$614,483	\$614,483
% of Total Annual Payroll		12.54%
Balance From City	\$1,914,035	
% of Total Annual Payroll		30.05%

¹ Represents the amount received in calendar 2012. The City may utilize up to \$825,324, if received, in determining their bottom line requirement.

* As requested by the Division of Retirement, the required contribution from the combination of City and State sources for the year ending September 30, 2013, is 42.59% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 30.05% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please also note that the City has a prepaid contribution of \$699,002.68 (see Page 21) that may be utilized to help offset their fiscal 2013 requirement. The required City and State contributions for the fiscal year ending September 30, 2014 will be \$2,528,518.

Overall actuarial experience over the past year has been more favorable than expected. The primary component of favorable experience was significantly lower than expected

average increase in pensionable compensation. This gain was partially offset by the effects of lower than expected turnover and lower than expected mortality.

The above requirements reflect one assumption change as outlined in the next subsection. Florida Statutes require that the payroll growth assumption is limited to the actual 10 year average payroll growth; this required us to lower the payroll growth assumption from 3.04% to 1.77% in this valuation.

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, ASA

Plan Changes Since Prior Valuation

There were no plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been three changes since the prior valuation.

The funding method was changed from a percentage of payroll to a fixed dollar contribution, as approved by the Board of Trustees.

Additionally, in order to more appropriately portray the fact that the accumulated DROP Balances of the Members are both in the Market Value of Assets and represent a liability of an amount payable to DROP Members when they terminate employment, these balances are now being added both to the assets and the DROP Retiree liabilities. In last year's report these balances were not included in the assets or the liabilities. For better comparisons between 2011 and 2012, the 2011 column has been amended as such.

Lastly, 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 1.77% in this report. Last year, 3.04% was used.

Comparative Summary of Principal Valuation Results (Fire)

A. Participant Data	<u>10/1/2012</u>	<u>10/1/2011</u>
Number Included		
Actives	96	101
Service Retirees	25	21
Beneficiaries	4	2
Terminated Vested	3	6
Disability Retirees	8	8
DROP Retirees	26	23
Total	<u>162</u>	<u>161</u>
Total Annual Payroll	\$5,540,330	\$5,934,481
Payroll Under Assumed Ret. Age	4,901,789	5,265,268
Annual Rate of Payments to:		
Service Retirees	1,169,430	952,596
Beneficiaries	115,286	45,408
Terminated Vested	16,822	47,951
Disability Retirees	271,967	275,313
DROP Retirees	1,841,682	1,646,931
B. Assets		
Actuarial Value ¹	59,746,517	56,100,001
Market Value ¹	61,231,318	52,555,618
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	36,610,941	39,803,843
Disability Benefits	1,856,526	1,875,281
Death Benefits	488,389	471,501
Vested Benefits	846,286	852,978
Refund of Contributions	54,107	44,532
Service Retirees	13,334,087	10,963,853
Beneficiaries	1,410,811	603,711
Terminated Vested	261,260	710,446
Disability Retirees	3,339,019	3,470,809
DROP Retirees ¹	28,095,048	23,409,146
Excess State Monies Reserve	157,840	983,164
Total	<u>86,454,314</u>	<u>83,189,264</u>

Comparative Summary of Principal Valuation Results (Fire)

C. Liabilities - (Continued)	<u>10/1/2012</u>	<u>10/1/2011</u>
Present Value of Future Salaries	39,437,329	39,693,072
Present Value of Future Member Contributions	3,454,710	3,477,113
EAN Normal Cost (Retirement)	1,069,634	1,149,801
EAN Normal Cost (Disability)	145,400	156,764
EAN Normal Cost (Death)	39,578	33,494
EAN Normal Cost (Vesting)	56,124	58,503
EAN Normal Cost (Refunds)	14,896	12,634
Total Normal Cost (Entry Age Method)	<u>1,325,632</u>	<u>1,411,196</u>
Present Value of Future Normal Costs	10,463,670	10,437,371
Accrued Liability (Retirement)	28,074,521	31,234,507
Accrued Liability (Disability)	679,196	699,014
Accrued Liability (Death)	163,525	204,786
Accrued Liability (Vesting)	464,142	466,758
Accrued Liability (Refunds)	11,194	5,699
Accrued Liability (Inactives) ¹	46,440,225	39,157,965
Excess State Monies Reserve	157,840	983,164
Total Actuarial Accrued Liability	<u>75,990,643</u>	<u>72,751,893</u>
Unfunded Actuarial Accrued Liability	16,244,127	16,651,892
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	46,440,225	39,157,965
Actives	14,198,329	15,914,511
Member Contributions	3,475,461	3,514,958
	<u>64,114,015</u>	<u>58,587,434</u>
Total	64,114,015	58,587,434
Non-vested Accrued Benefits	<u>3,575,563</u>	<u>4,611,197</u>
Total Present Value Accrued Benefits	67,689,578	63,198,631
 Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Assumption Changes	0	
New Accrued Benefits	1,317,640	
Benefits Paid	(1,810,176)	
Interest	4,983,483	
Other	0	
	<u>4,490,947</u>	
Total:	4,490,947	

Comparative Summary of Principal Valuation Results (Fire)

Valuation Date Applicable to Fiscal Year Ending	10/1/2012 <u>9/30/2014</u>	10/1/2011 <u>9/30/2013</u>
E. Pension Cost		
Normal Cost ² % of Total Annual Payroll	\$1,468,270	27.87
Administrative Expense ² % of Total Annual Payroll	\$228,210	2.76
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years ² (as of 10/1/12) % of Total Annual Payroll	\$1,307,638	20.72
Total Required Contribution % of Total Annual Payroll	\$3,004,118	51.35
Expected Member Contributions ² % of Total Annual Payroll	\$475,600	8.76
Required City and State Contributions % of Total Annual Payroll	\$2,528,518	42.59
F. Past Contributions		
Plan Year Ending:	<u>9/30/2012</u>	
City and State Requirement	1,734,337	
Actual Contributions Made:		
Members	456,297	
City	1,119,854 ³	
State	614,483	
Total	<u>2,190,634</u>	
G. Net Actuarial Gain (Loss)	1,123,996	

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2011 and 09/30/2012

² Contributions developed as of 10/1/2012 displayed above have been adjusted to account for assumed salary increase and interest components

³ This amount includes \$825,324 of the Excess State Monies Reserve that was reallocated to offset the City's required contribution for fiscal 2012.

Comparative Summary of Principal Valuation Results (Fire)

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$16,244,127
2013	16,268,601
2014	16,272,468
2019	15,904,656
2024	14,630,228
2034	7,153,591
2042	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	-2.8%	6.5%
Year Ended	9/30/2011	5.3%	6.5%
Year Ended	9/30/2010	1.4%	6.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	7.6%	8.0%
Year Ended	9/30/2011	6.2%	8.5%
Year Ended	9/30/2010	2.1%	8.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$5,540,330
	10/1/2002	4,649,109
(b) Total Increase		19.2%
(c) Number of Years		10.00
(d) Average Annual Rate		1.77%

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.



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #11-6595

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

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

Reconciliation of Unfunded Actuarial Accrued Liabilities
(Fire)

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$16,651,892
(2)	Sponsor Normal Cost developed as of October 1, 2011 *	1,089,479
(3)	Expected Interest on (1) and (2)	1,419,310
(4)	Sponsor Contributions to the System during the plan year ending September 30, 2012	1,734,337
(5)	Expected Interest on (5)	58,221
(6)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2012 (1)+(2)+(3)-(4)-(5)	17,368,123
(7)	Unfunded Accrued Liability as of October 1, 2012	16,244,127
(8)	Change to UAAL due to Actuarial (Gain) or Loss	(1,123,996)

	Date Established	Years Remaining	10/1/2012 Amount	Amortization Amount
"A"	10/1/2003	21	4,024	326
"B"	10/1/2004	22	440	35
"C"	10/1/2005	23	49,017	3,795
"D"	10/1/2005	23	12,532	970
"E"	10/1/2006	24	(887)	(67)
"F"	10/1/2006	24	30,546	2,319
Loss	10/1/2007	25	5,263,872	392,519
Loss	10/1/2008	26	2,989,853	219,247
Loss	10/1/2009	27	3,658,988	264,182
Loss	10/1/2010	28	1,596,800	113,641
Method	10/1/2010	28	(2,571,060)	(182,976)
Benefit	10/1/2010	28	(226,264)	(16,103)
Loss	10/1/2011	29	2,529,582	177,630
Assum	10/1/2011	29	4,030,680	283,038
Gain	10/1/2012	30	(1,123,996)	(77,951)
			<u>16,244,127</u>	<u>1,180,605</u>

*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%
2011	595,169.63	-1.5%
2012	614,483.16	3.2%

EXCESS STATE MONIES RESERVE (FIRE)

	Regular Distribution			Special Distribution		
	Actual State Contribution	Applicable "Frozen" Amount	Addition to Excess State Monies Reserve	Actual State Contribution	Applicable "Frozen" Amount	Addition to Excess State Monies Reserve
1998	\$137,359.61	\$137,359.61	\$0.00	N/A	N/A	N/A
1999	183,210.18	137,359.61	45,850.57	0.00	0.00	0.00
2000	194,012.88	175,711.61	18,301.27	0.00	0.00	0.00
2001	202,046.08	175,711.61	26,334.47	0.00	0.00	0.00
2002	241,347.74	175,711.61	65,636.13	0.00	0.00	0.00
2003	267,090.23	228,788.61	38,301.62	0.00	0.00	0.00
2004	304,874.85	267,089.61	37,785.24	0.00	0.00	0.00
2005	361,705.29	304,563.61	57,141.68	0.00	0.00	0.00
2006	442,391.15	304,563.61	137,827.54	0.00	0.00	0.00
2007	451,636.27	437,329.61	14,306.66	110,850.61	0.00	110,850.61
2008	549,846.07	437,329.61	112,516.46	174,551.10	0.00	174,551.10
2009	561,427.94	437,329.61	124,098.33	49,082.15	0.00	49,082.15
2010	553,738.18	437,329.61	116,408.57	50,215.73	0.00	50,215.73
2011	528,418.79	437,329.61	91,089.18	66,750.84	0.00	66,750.84
2012	524,120.82	734,961.66	<u>0.00</u>	90,362.34	90,362.34	<u>0.00</u>
			885,597.72			451,450.43
Accumulated Regular Excess			885,597.72			
Accumulated Special Excess			<u>451,450.43</u>			
Total Accumulated Excess			1,337,048.15			
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			(29,291.54)			
Less Amounts Used For Ord No. 2011-69			(64,533.15)			
Less Amounts Used For Offsetting the 2012 Funding Requirements (Stop- Restart) (Ord No. 2011-68 and 69)			<u>(825,324)</u>			
Total Current State Monies Reserve			157,840.02			

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

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Prepaid Expenses	7,967.00
Deposits	852.00
Cash, Checking and Savings	2,758,383.00
Total Cash and Equivalents	2,767,202.00
Receivable:	
Member Contributions in Transit	16,667.00
State Contributions	90,362.34
From Police Officers' Trust Fund	20,036.00
Accounts Receivable	337.42
From General Employees' Trust Fund	5,447.00
Accrued Income	149,469.00
Total Receivable	282,318.76
Investments:	
Mutual Funds:	
Fixed Income	4,388,785.00
Equity	5,522,320.00
International Equity	7,940,105.00
Pooled/Common/Commingled Funds:	
Fixed Income	15,456,278.00
Equity	25,926,155.00
Total Investments	59,233,643.00
TOTAL ASSETS	62,283,163.76
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
DROP Distribution	260,738.66
Benefit Payments	12,927.97
Unpaid Investment Expenses	76,826.91
Unpaid Administrative Expenses	2,349.77
Prepaid City Contribution	699,002.68
Total Liabilities	1,051,845.99
Net Assets, including DROP Account Balances	61,231,317.77
TOTAL LIABILITIES AND NET ASSETS	62,283,163.76

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

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

REVENUES

Contributions:		
Member	456,297.45	
City	294,530.32	
State	614,483.16	
Total Contributions		1,365,310.93
Earnings from Investments		
Interest & Dividends	1,626,252.00	
Net Realized and Unrealized Gain (Loss)	7,979,637.21	
Total Earnings and Investment Gains		9,605,889.21
	EXPENDITURES	
Expenses:		
Investment Related ¹	279,285.00	
Administrative	206,040.00	
Total Expenses		485,325.00
Distributions to Members:		
Benefit Payments	1,392,654.60	
Lump Sum DROP Balances	410,101.95	
Termination Payments	7,419.58	
Total Distributions		1,810,176.13
Change in Net Assets for the Year		8,675,699.01
Net Assets Beginning of the Year ²		52,555,618.76
Net Assets End of the Year		61,231,317.77

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

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

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

ACTUARIAL ASSET VALUATION
September 30, 2012

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Plan Year Ending	Gain/Loss	<u>Gains/Losses Not Yet Recognized</u>			
		Amounts Not Yet Recognized by Valuation Year			
		2012	2013	2014	2015
9/30/2009	0	0	0	0	0
9/30/2010	0	0	0	0	0
9/30/2011	(4,725,844)	(2,362,922)	(1,181,461)	0	0
9/30/2012	5,130,297	3,847,723	2,565,149	1,282,574	0
Total		1,484,801	1,383,688	1,282,574	0

Development of Investment Gain/Loss

Market Value of Assets including Prepaid Contributions & DROP, 9/30/2011	52,779,292
Contributions Less Benefit Payments & Admin Expenses	(650,905)
Expected Investment Earnings*	4,196,307
Actual Net Investment Earnings	9,326,604
2012 Actuarial Investment Gain/(Loss)	<u>5,130,297</u>

*Expected Investment Earnings = $0.08 * (52,779,292 - 0.5 * 650,905)$

Development of Actuarial Value of Assets

Market Value of Assets, including DROP Balances, 9/30/2012	61,231,318
(Gains)/Losses Not Yet Recognized	<u>(1,484,801)</u>
Actuarial Value of Assets, including DROP Balances, 9/30/2012	59,746,517

(A) 9/30/2011 Actuarial Assets, including Prepaid Contributions and DROP: 56,323,675

(I) Net Investment Income:

1. Interest and Dividends	1,626,252
2. Realized Gains (Losses)	0
3. Change in Actuarial Value	2,950,453
4. Investment Expenses	<u>(279,285)</u>
Total	4,297,420

(B) 9/30/2012 Actuarial Assets, including Prepaid Contributions and DROP: 60,445,519

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 7.64%
Market Value of Assets Rate of Return: 17.70%

10/01/12 Limited Actuarial Assets, including DROP Account Balances: 59,746,517
(Lesser of Actuarial Assets or 120% of Market Value, but not less than 80% of Market Value)

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

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

REVENUES

Contributions:		
Member	456,297.45	
City	294,530.32	
State	614,483.16	
 Total Contributions		 1,365,310.93
Earnings from Investments		
Interest & Dividends	1,626,252.00	
Change in Actuarial Value	2,950,453.21	
 Total Earnings and Investment Gains		 4,576,705.21
	 EXPENDITURES	
Expenses:		
Investment Related ¹	279,285.00	
Administrative	206,040.00	
 Total Expenses		 485,325.00
Distributions to Members:		
Benefit Payments	1,392,654.60	
Lump Sum DROP Balances	410,101.95	
Termination Payments	7,419.58	
 Total Distributions		 1,810,176.13
 Change in Net Assets for the Year		 3,646,515.01
 Net Assets Beginning of the Year ²		 56,100,001.76
 Net Assets End of the Year ³		 59,746,516.77

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

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

³Net Assets may be limited for actuarial consideration.

City of Palm Bay Police and Firefighters' Pension Fund
Firefighters

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

Name	9/30/11 Balance	Additions	Investment Return	Distributions	9/30/12 Balance
Andrukaitis, Mark	152,607.85	76,860.00	32,729.11	0.00	262,196.96
Beatty, Michael	169,852.19	74,598.60	35,649.90	0.00	280,100.69
Bliss, James	81,495.30	80,319.84	20,267.64	0.00	182,082.78
Borkowski, Edwin	0.00	52,210.80	2,713.46	0.00	54,924.26
Bratsch, Ronald	68,809.58	53,704.80	16,110.34	0.00	138,624.72
Chapel, Coy	80,559.97	73,078.08	19,586.14	0.00	173,224.19
Couture, Michael	103,769.73	67,384.44	23,329.10	0.00	194,483.27
Davis, Roger	80,585.09	73,100.88	19,592.24	0.00	173,278.21
Dietz, Robert	160,192.75	80,680.08	34,355.81	0.00	275,228.64
Duy, Cliff	0.00	22,048.23	662.92	0.00	22,711.15
Ginsburg, David	148,595.98	74,839.44	31,868.71	0.00	255,304.13
Green, Brian	75,200.03	74,115.36	18,702.03	0.00	168,017.42
Hanks, David	173,342.39	76,131.48	36,382.48	0.00	285,856.35
Harrison, Jackie	29,258.46	42,641.16	8,257.04	0.00	80,156.66
Laplante, Thomas	108,138.32	54,463.20	23,191.94	0.00	185,793.46
Leahy, William	124,599.01	15,688.38	9,075.90	(149,363.29)	0.00
Martin, Glenn	26,163.36	85,329.00	10,736.06	0.00	122,228.42
Millwater, Alason	177,958.87	89,627.88	38,166.02	0.00	305,752.77
Mulligan, Robert	161,705.95	81,442.20	34,680.34	0.00	277,828.49
Pickard, Bradley	66,981.96	66,015.84	16,658.21	0.00	149,656.01
Renfro, Jr., Arthur	139,121.38	90,340.56	31,276.72	(260,738.66)	0.00
Richmond, Randal	127,874.66	64,403.28	27,424.70	0.00	219,702.64
Roberts, Ray	0.00	30,123.06	834.09	0.00	30,957.15
Robertson, John	0.00	76,060.68	5,402.56	0.00	81,463.24
Schoonmaker, Cliff	127,919.66	64,425.96	27,434.35	0.00	219,779.97
Shunk, Robert	0.00	50,684.76	2,199.14	0.00	52,883.90
Tetreault, Robert	0.00	68,274.12	4,849.48	0.00	73,123.60
Townend, James	128,804.85	64,871.76	27,624.20	0.00	221,300.81
Total	2,513,537.34	1,823,463.87	559,760.63	(410,101.95)	4,486,659.89

City of Palm Bay
Police Officers and Firefighters Pension Fund
(Firefighters)

RECONCILIATION OF CITY'S PREPAID CONTRIBUTION FOR THE
FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2012

(1) City and State Required Contribution Rate (from the January 26, 2012 Actuarial Impact Statement #2)	33.30%
(2) Pensionable Payroll	\$5,208,220.67
(3) Required City and State Contribution (1) x (2)	1,734,337.48
(4) Less Allowable State Contribution	<u>(614,483.16)</u>
(5) Equals Required City Contribution	1,119,854.32
(6) Less Actual City Contributions	(769,859.92)
(7) Less Prepaid Contribution from October 1, 2011	(223,673.08)
(8) Less One-Time Use of Excess State Monies Reserve	<u>(825,324.00)</u>
(9) Equals City's Prepaid Contribution as of September 30, 2012	\$699,002.68

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
Barwick, Mark Harrell, Robert, Jr. Lunden, Scott Smith, Douglas Yonce, William Zades, Steven	Bradbury, Rick E. Cameron, Gordon S. Flickinger, Kenneth Gould, Eric J. Grice, Louis K. Hamor, Jim A. Kelley, Keith B. Keyser, Joseph D. Lewis, Bertram E. Morey, Isaac M. Riggle, Thomas B. Shervington, Michael W. Twiss, Karen J. Williams, Keith R.

FIREFIGHTERS STATISTICAL DATA

(Averages are salary weighted)

<u>Active Members</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Average Current Age	42.2	41.0	40.5
Average Age at Employment	27.9	27.6	27.3
Average Past Service	14.4	13.5	13.2
Average Annual Salary	\$59,673	\$58,757	\$57,712

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	1	1	1	0	0	0	0	0	0	0	4
25 - 29	1	5	1	1	1	3	0	0	0	0	0	12
30 - 34	0	7	0	1	1	7	4	0	0	0	0	20
35 - 39	2	2	1	0	0	4	2	7	0	0	0	18
40 - 44	0	0	0	0	0	2	3	3	3	1	0	12
45 - 49	0	0	0	0	0	1	3	7	6	3	0	20
50 - 54	0	0	0	0	0	0	0	3	5	0	0	8
55 - 59	0	0	0	1	0	0	0	0	0	0	0	1
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	4	15	3	4	2	17	13	20	14	4	0	96

VALUATION PARTICIPANT RECONCILIATION (FIRE)

1. Active lives

a. Number in prior valuation 10/1/11	101
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	2
c. Deaths	
i. Beneficiary receiving benefits	1
ii. No future benefits payable	0
d. Disabled	0
e. Retired	2
f. DROP	5
g. Continuing participants	91
h. New entrants	5
i. Total active life participants in valuation	96

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	21	2	8	6	23	60
b. In	5	2	0	0	5	12
c. Out	1	0	0	3	2	6
d. Number current valuation	25	4	8	3	26	66

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 (PBBF), 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 earlier of (1) age 55 or (2) upon completion of 25 years of Credited Service, regardless of age.

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 for the first 20 years of
Credited Service (2.5% if hired on or after March 15, 2012),
plus 5% x AFC x Credited Service over 20 years (3.2% if
hired on or after March 15, 2012).

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 accrued prior to March 15, 2012, plus \$12 per month times years of Credited Service earned after March 15, 2012. The benefit is \$25 per month for all years of Credited Service for those firefighters eligible for Normal Retirement on March 15, 2012. 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 for firefighters hired before March 15, 2012 and 90% of Average Final Compensation for firefighters hired after that date, 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% (2.0% if hired on or after March 15, 2012) 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% (2.0% if hired on or after March 15, 2012) 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% (2.0% if hired on or after March 15, 2012) annual increase each September 30th after having been retired for six years (the supplemental benefits are not increased).

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. For firefighters hired after March 15, 2012 the minimum Line of Duty Disability benefit will be 66% of Average Final Compensation.

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, receive a Supplemental Benefit equal to \$25 per month times years of Credited Service accrued prior to March 15, 2012, plus \$12 per month times years of Credited Service earned after March 15, 2012. The benefit is \$25 per month for all years of Credited Service for those firefighters eligible for Normal Retirement on March 15, 2012. 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. Firefighters that are hired after March 15, 2012 will receive a 2% annual increase each September 30th after six years of retirement.

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. Beneficiaries of Firefighters that are hired after March 15, 2012 will receive a 2% annual increase each September 30th after six years of retirement.

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. Beneficiaries of Firefighters that are hired after March 15, 2012 will receive a 2% annual increase each September 30th after six years of retirement.

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 accrued prior to March 15, 2012, plus \$12 per month times years of Credited Service earned after March 15, 2012. The benefit is \$25 per month for all years of Credited Service for those firefighters eligible for Normal Retirement on March 15, 2012. 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 terminate on or after September 30, 2001 are eligible to receive a 3% annual increase each September 30th after having been retired for six years. Firefighters that are hired after March 15, 2012 will receive a 2% annual increase each September 30th after six years of retirement.

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.

Furlough Impact:

For the 2012 actuarial valuation report, individual Salaries were adjusted up by a ratio of the total number of normal work days in a year divided by the number of days actually worked after taking mandatory furloughs.

DRAFT

SUMMARY OF ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

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

Economic Assumptions

Interest:	8.0% per year, net of investment related expenses.
Salary Increase – Individual:	6.5% per year.
Payroll Growth:	Up to 4.0% per year (1.77% 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)

Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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. It is assumed that Members at Normal Retirement Age retire at that time.

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 four-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.

Reset to Market Value for October 1, 2010 report.

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)
10/01/12	59,746,517	75,990,644	16,244,127	78.62%	5,540,330	293.20%
10/01/11	53,586,464	70,238,356	16,651,892	76.29%	5,934,481	280.60%
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%

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
2012	1,734,337	1,119,854 ²	614,483	100.00%
2011	1,620,210	1,182,881	437,330 ¹	100.00%
2010	1,209,311	771,981	437,330 ¹	100.00%
2009	1,213,589	776,259	437,330 ¹	100.00%

¹ - "Frozen" per Chapter 175, Florida Statutes, as amended.

² - This includes \$825,324 of the Excess State Monies Reserve that was reallocated to offset the City's required contribution for fiscal 2012.

SENATE BILL 1128 COMPLIANCE

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of Foster & Foster that utilizing this information to compare local law plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

Present Value of Accrued Benefits at 7.75% Interest

Vested Accrued Benefits	
Inactives	\$47,531,043
Actives	14,814,617
Member Contributions	<u>3,475,461</u>
Total	65,821,121
Non-Vested Accrued Benefits	<u>3,706,097</u>
Total Present Value of Accrued Benefits	\$69,527,218