

CITY OF PALM BAY  
POLICE OFFICERS' AND  
FIREFIGHTERS' PENSION FUND  
(Police Officers)

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2014

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 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.

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 #11-6901

BRH/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palm Bay Police Officers' and Firefighters' Pension Fund (Police Officers), 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	\$2,895,254	
% of Projected Annual Payroll		35.26%
Expected Member Contributions	\$675,981	
% of Projected Annual Payroll		8.76%
Required City and State Contributions	\$2,219,273	
% of Projected Annual Payroll		26.50%
Estimated State Contribution <sup>1</sup>	\$520,734	\$520,734
% of Projected Annual Payroll		7.47%
Balance From City	\$1,698,539	
% of Projected Annual Payroll		19.03%

<sup>1</sup> "Frozen" pursuant to Chapter 185, 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, 2013, is 26.50% of the actual non-DROP payroll realized in that year. As a budgeting tool, the City may contribute 19.03% 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 \$235,172.54 (see page 21) that may be utilized to help offset their fiscal 2013 requirement.

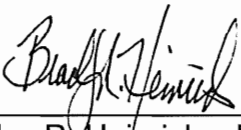
Over the past year, actuarial experience was more favorable than expected. The primary component of favorable experience was much lower than expected average increases in pensionable compensation. This gain was partially offset by the effects of

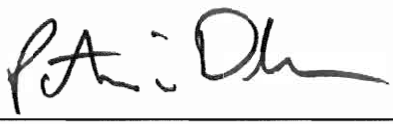
lower than expected mortality and lower than expected turnover.

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, MAAA

By:   
Patrick T. Donlan, ASA, MAAA

### Plan Changes Since Prior Valuation

There were no plan changes since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

There have been two 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.

## Comparative Summary of Principal Valuation Results (POLICE)

A. Participant Data	<u>10/1/2012</u>	<u>10/1/2011</u>
Number Included		
Actives	141	150
Service Retirees	47	45
Beneficiaries	2	1
Terminated Vested	11	9
Disability Retirees	12	11
DROP Retirees	15	10
Total	<u>228</u>	<u>226</u>
Total Annual Payroll	\$7,512,816	\$7,911,836
Payroll Under Assumed Ret. Age	6,967,030	7,609,528
Annual Rate of Payments to:		
Service Retirees	2,696,437	2,526,920
Beneficiaries	5,105	2,035
Terminated Vested	68,155	70,305
Disability Retirees	255,147	209,994
DROP Retirees	1,047,064	639,173
B. Assets		
Actuarial Value <sup>1</sup>	75,943,613	71,462,695
Market Value <sup>1</sup>	77,968,830	67,000,224
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	41,842,751	46,232,958
Disability Benefits	2,466,939	2,431,446
Death Benefits	117,204	119,640
Vested Benefits	2,287,831	2,314,810
Refund of Contributions	113,164	86,823
Service Retirees	32,964,009	31,423,221
Beneficiaries	50,496	18,039
Terminated Vested	617,699	581,493
Disability Retirees	3,475,751	2,859,443
DROP Retirees <sup>1</sup>	17,927,021	11,079,497
Excess State Monies Reserve	152,155	120,087
Total	<u>102,015,020</u>	<u>97,267,457</u>



## Comparative Summary of Principal Valuation Results (POLICE)

C. Liabilities - (Continued)	<u>10/1/2012</u>	<u>10/1/2011</u>
Present Value of Future Salaries	53,097,743	55,142,431
Present Value of Future Member Contributions	4,651,362	4,830,477
EAN Normal Cost (Retirement)	1,157,357	1,249,726
EAN Normal Cost (Disability)	198,501	159,349
EAN Normal Cost (Death)	5,906	6,074
EAN Normal Cost (Vesting)	146,166	151,010
EAN Normal Cost (Refunds)	31,841	26,956
Total Normal Cost (Entry Age Method)	<u>1,539,771</u>	<u>1,593,115</u>
Present Value of Fut Normal Costs	11,622,923	11,546,367
Accrued Liability (Retirement)	32,811,869	36,962,913
Accrued Liability (Disability)	895,511	1,186,728
Accrued Liability (Death)	72,055	73,691
Accrued Liability (Vesting)	1,400,607	1,402,465
Accrued Liability (Refunds)	24,924	13,513
Accrued Liability (Inactives) <sup>1</sup>	55,034,976	45,961,693
Excess State Monies Reserve	152,155	120,087
Total Actuarial Accrued Liability	<u>90,392,097</u>	<u>85,721,089</u>
Unfunded Actuarial Accrued Liability (UAAL)	14,448,484	14,258,394
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives <sup>1</sup>	55,034,976	45,961,693
Actives	14,484,659	16,657,237
Member Contributions	<u>4,869,176</u>	<u>5,171,316</u>
Total	74,388,811	67,790,246
Non-vested Accrued Benefits	<u>2,723,996</u>	<u>3,335,782</u>
Total Present Value Accrued Benefits	77,112,807	71,126,028
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Assumption Changes	0	
New Accrued Benefits	3,287,923	
Benefits Paid	(2,876,179)	
Interest	5,575,035	
Other	<u>0</u>	
Total:	5,986,779	

Comparative Summary of Principal Valuation Results (POLICE)

Valuation Date	10/1/2012	10/1/2011
Applicable to Fiscal Year Ending	<u>9/30/2014</u>	<u>9/30/2013</u>
<b>E. Pension Cost</b>		
Normal Cost <sup>2</sup>	\$1,705,450	
% of Projected Annual Payroll		21.77
Administrative Expense <sup>2</sup>	\$267,052	
% of Projected Annual Payroll		2.50
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years <sup>2</sup> (as of 10/1/2012)	\$922,752	
% of Projected Annual Payroll		10.99
Total Required Contribution	\$2,895,254	
% of Projected Annual Payroll		35.26
Expected Member Contributions <sup>2</sup>	\$675,981	
% of Projected Annual Payroll		8.76
Required City and State Contributions	\$2,219,273	
% of Projected Annual Payroll		26.50
<b>F. Past Contributions</b>		
Plan Year Ending:	<u>9/30/2012</u>	
City and State Requirement	1,432,198	
Actual Contributions Made:		
Members	635,385	
City	911,463	
State	520,734 <sup>3</sup>	
Total	<u>2,067,582</u>	
<b>G. Net Actuarial Gain (Loss)</b>	<b>677,030</b>	

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2011 and 9/30/2012.

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

<sup>3</sup> "Frozen" pursuant to Chapter 185, Florida Statutes, as amended.

Comparative Summary of Principal Valuation Results (POLICE)

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$14,448,484
2013	14,704,605
2014	14,945,226
2019	15,811,996
2024	15,753,710
2034	9,575,305
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation.

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	0.1%	6.5%
Year Ended	9/30/2011	5.1%	6.5%
Year Ended	9/30/2010	-0.9%	6.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	7.7%	8.0%
Year Ended	9/30/2011	6.3%	8.5%
Year Ended	9/30/2010	2.5%	8.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$7,512,816
	10/1/2002	4,909,685
(b) Total Increase		53.0%
(c) Number of Years		10.00
(d) Average Annual Rate		4.35%

## 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

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$14,258,394
(2)	Sponsor Normal Cost developed as of October 1, 2011 *	1,109,792
(3)	Expected Interest on (1) and (2)	1,229,455
(4)	Sponsor Contributions to the System during the plan year ending September 30, 2012	1,432,197
(5)	Expected Interest on (5)	39,930
(6)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2012 (1)+(2)+(3)-(4)-(5)	15,125,514
(7)	Actual Unfunded Accrued Liability as of October 1, 2012	14,448,484
(8)	Change to UAAL due to Actuarial (Gain)/Loss	(677,030)

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
Improvement	10/1/2003	21	35,924	2,431
Improvement	10/1/2005	23	432,943	27,636
Improvement	10/1/2006	24	52,134	3,241
Gain	10/1/2007	25	(904,365)	(54,843)
Loss	10/1/2008	26	4,667,427	276,519
Loss	10/1/2009	27	6,175,857	357,936
Loss	10/1/2010	28	1,727,654	98,078
Method	10/1/2010	28	(4,050,895)	(229,968)
Benefit	10/1/2010	28	3,898	221
Loss	10/1/2011	29	1,582,519	88,101
Assum	10/1/2011	29	5,402,418	300,759
Gain	10/1/2012	30	<u>(677,030)</u>	<u>(37,002)</u>
			14,448,484	833,109

\*Includes administrative expenses

## RECENT HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Police Officers</u>	<u>Increase from Previous Year</u>
1999	216,722.00	_____%
2000	197,310.00	-9.0%
2001	218,501.00	10.7%
2002	267,958.00	22.6%
2003	302,468.00	12.9%
2004	403,412.00	33.4%
2005	449,806.00	11.5%
2006	479,034.00	6.5%
2007	521,156.85	8.8%
2008	521,017.73	0.0%
2009	552,316.07	6.0%
2010	544,192.27	-1.5%
2011	534,261.71	-1.8%
2012	552,801.49	3.5%

## EXCESS STATE MONIES RESERVE (POLICE)

## Regular Distribution

	Actual <u>State Contribution</u>	Applicable "Frozen" Amount	Addition to Excess State <u>Monies Reserve</u>
1998	\$201,770.08	\$201,770.08	\$0.00
1999	216,721.64	201,770.08	14,951.56
2000	197,309.75	201,770.08	0.00
2001	218,500.53	201,770.08	16,730.45
2002	267,958.39	201,770.08	66,188.31
2003	302,467.77	260,292.08	42,175.69
2004	403,411.62	401,192.08	2,219.54
2005	449,805.87	401,192.08	48,613.79
2006	479,034.44	446,108.08	32,926.36
2007	521,156.85	469,921.08	51,235.77
2008	521,017.73	520,734.08	283.65
2009	552,316.07	520,734.08	31,581.99
2010	544,192.27	520,734.08	23,458.19
2011	534,261.71	520,734.08	13,527.63
2012	552,801.49	520,734.08	<u>32,067.41</u>
Total Accumulated Excess			375,960.34
Less Amounts Used For Ord No. 2003-09			(31,682.01)
Less Amounts Used For Ord No. 2005-27			(108,364.00)
Less Amounts Used For Ord No. 2006-29			(50,833.33)
Less Amounts Used For Ord No. 2007-107			<u>(32,926.36)</u>
Total Current State Monies Reserve			152,154.64

City of Palm Bay Police Officers' and Firefighters' Pension Fund  
Police Officers

BALANCE SHEET  
September 30, 2012

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Prepaid Expenses	10,538.65
Deposits	1,046.41
Pending Trades Payable	(697,168.00)
Cash, Checking and Savings	3,298,723.00
Total Cash and Equivalents	2,613,140.06
Receivable:	
Member Contributions in Transit	22,717.25
Member Buy-Back Contributions	109,828.06
City Contributions in Transit	95,553.00
Recapture Commission Receivable	573.00
Accrued Income	187,623.00
Total Receivable	416,294.31
Investments:	
Real Estate	5,522,320.00
Mutual Funds:	
International Equity	7,940,105.00
Pooled/Common/Commingled Funds:	
Fixed Income	25,347,929.00
Equity	36,565,028.00
Total Investments	75,375,382.00
TOTAL ASSETS	78,404,816.37
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
Termination Payments	22,849.02
Drop Payments	60,311.41
Unpaid Investment Expenses	95,620.53
Unpaid Administrative Expenses	1,997.03
To Firefighters' Trust Fund	20,036.00
Prepaid City Contribution	235,172.54
Total Liabilities	435,986.53
Net Assets, including DROP Account Balances	77,968,829.84
TOTAL LIABILITIES AND NET ASSETS	78,404,816.37



City of Palm Bay Police Officers' and Firefighters' Pension Fund  
Police Officers

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

REVENUES

Contributions:		
Member	635,384.63	
City	911,463.46	
State	552,801.49	
Total Contributions		2,099,649.58
Earnings from Investments		
Interest & Dividends	1,974,374.00	
Net Realized and Unrealized Gain (Loss)	10,362,307.44	
Total Earnings and Investment Gains		12,336,681.44
	EXPENDITURES	
Expenses:		
Investment Related <sup>1</sup>	350,438.29	
Administrative	241,108.10	
Total Expenses		591,546.39
Distributions to Members:		
Benefit Payments	2,565,538.44	
Lump Sum DROP Balances	165,200.21	
Termination Payments	145,440.39	
Total Distributions		2,876,179.04
Change in Net Assets for the Year		10,968,605.59
Net Assets Beginning of the Year <sup>2</sup>		67,000,224.25
Net Assets End of the Year		77,968,829.84

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets include DROP account balances at the beginning of the year.

City of Palm Bay Police Officers' and Firefighters' Pension Fund  
Police Officers

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	(5,949,961)	(2,974,981)	(1,487,490)	0	0
9/30/2012	6,666,931	5,000,198	3,333,466	1,666,733	0
Total		2,025,217	1,845,976	1,666,733	0

Development of Investment Gain/Loss

Market Value of Assets, including DROP Account Balances, 9/30/2011	67,000,224
Contributions Less Benefit Payments & Admin Expenses	(1,017,638)
Expected Investment Earnings*	5,319,312
Actual Net Investment Earnings	11,986,243
2012 Actuarial Investment Gain/(Loss)	<u>6,666,931</u>

\*Expected Investment Earnings =  $0.08 * (67,000,224 - 0.5 * 1,017,638)$

Development of Actuarial Value of Assets

Market Value of Assets, including DROP Balances, 9/30/2012	77,968,830
(Gains)/Losses Not Yet Recognized	<u>(2,025,217)</u>
Actuarial Value of Assets, including DROP Balances, 9/30/2012	75,943,613

(A) 9/30/2011 Actuarial Assets, including Prepaid Contributions and DROP: 71,462,695

(I) Net Investment Income:	
1. Interest and Dividends	1,974,374
2. Realized Gains (Losses)	0
3. Change in Actuarial Value	3,874,619
4. Investment Expenses	<u>(350,438)</u>
Total	5,498,555

(B) 9/30/2012 Actuarial Assets, including Prepaid Contributions and DROP: 76,178,785

Actuarial Assets Rate of Return =  $2I/(A+B-I)$ : 7.74%  
Market Value of Assets Rate of Return: 17.99%

10/01/12 Limited Actuarial Assets, including DROP Account Balances: 75,943,613  
(Lesser of Actuarial Assets or 120% of Market Value, but not less than 80% of Market Value)

City of Palm Bay Police Officers' and Firefighters' Pension Fund  
Police Officers

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

REVENUES

Contributions:		
Member	635,384.63	
City	911,463.46	
State	552,801.49	
Total Contributions		2,099,649.58
Earnings from Investments		
Interest & Dividends	1,974,374.00	
Change in Actuarial Value	3,874,619.44	
Total Earnings and Investment Gains		5,848,993.44
	EXPENDITURES	
Expenses:		
Investment Related <sup>1</sup>	350,438.29	
Administrative	241,108.10	
Total Expenses		591,546.39
Distributions to Members:		
Benefit Payments	2,565,538.44	
Lump Sum DROP Balances	165,200.21	
Termination Payments	145,440.39	
Total Distributions		2,876,179.04
Change in Net Assets for the Year		4,480,917.59
Net Assets Beginning of the Year <sup>2</sup>		71,462,695.25
Net Assets End of the Year <sup>3</sup>		75,943,612.84

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets include DROP account balances at the beginning of the year.

<sup>3</sup>Net Assets may be limited for actuarial consideration.

City of Palm Bay Police Officers' and Firefighters' Pension Fund  
Police Officers

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
Abner, Alan	41,949.96	0.00	6,204.01	(10,000.00)	38,153.97
Andrea, William R	2,115.43	759.47	193.20	(3,068.10)	0.00
Arnold, Kenneth	84,341.68	70,719.00	20,094.34	0.00	175,155.02
Birmer, Sandra	0.00	23,090.60	696.04	0.00	23,786.64
Blackledge III, John	262,730.46	84,738.24	52,966.74	0.00	400,435.44
Carter, Richard	193,998.38	48,012.12	38,076.23	(739.27)	279,347.46
Combs, Robert	0.00	9,851.60	222.15	0.00	10,073.75
Diebel, Ernest	54,729.37	58,887.48	13,962.45	0.00	127,579.30
Fisher, Daniel	111,892.03	6,012.60	14,421.40	(62,914.65)	69,411.38
Garceau, Glenn A	17,582.39	57,343.08	7,214.90	0.00	82,140.37
Kraynick, Jeffrey A	0.00	22,685.05	683.81	0.00	23,368.86
Myers, Joseph G	0.00	38,773.68	1,386.30	0.00	40,159.98
Poole, David P	0.00	28,699.75	865.11	(29,564.86)	0.00
Potts, Douglas	274,354.93	79,455.84	54,668.70	0.00	408,479.47
Santiago, George	70,963.41	64,372.80	17,252.97	(30,007.28)	122,581.90
Smith, Don	191,343.54	0.00	30,456.53	(28,906.05)	192,894.02
Smith, Jeffery	179,887.09	54,421.20	36,009.89	0.00	270,318.18
Smith, Rebecca	0.00	0.00	0.00	0.00	0.00
Terkoski, Leon W	0.00	26,103.80	786.87	0.00	26,890.67
Weber, David J	0.00	29,163.30	879.09	0.00	30,042.39
<b>Total</b>	<b>1,485,888.67</b>	<b>703,089.61</b>	<b>297,040.73</b>	<b>(165,200.21)</b>	<b>2,320,818.80</b>

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

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

(1) City and State Required Contribution Rate (from the February 24, 2012 Actuarial Impact Statement)	19.75%
(2) Pensionable Payroll	7,251,633.11
(3) Required City and State Contribution (1) x (2)	1,432,197.54
(4) Less Allowable State Contribution	<u>(520,734.08)</u>
(5) Equals Required City Contribution	911,463.46
(6) Less Actual City Contributions	(1,173,146.08)
(7) Plus Shortfall from October 1, 2011	<u>26,510.08</u>
(8) Equals City's Prepaid Contribution as of September 30, 2012	\$235,172.54

## POLICE OFFICERS 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
Bash, Kenneth R. Fell, Mark K. Ivey, Samuel Kennard, Eric Krieger, Thomas E. Phelan, Daniel A. Renkens, Mark A. Richmond, James Rogers, James Wight-Vazquez, Carol	Ballard, Harold Bandish, Michael Blackledge, Diana Cuomo Sr., Salvatore Eakins, Jesse K. Evans, Patrick W. Humes-Greene, Heather L. Marcinick, David Marrs Jr., Ray C. Melius, Rebecca Nickle, Jeffrey A. Resh, John Searles, Scott A. Shytle, Steven D. Smith, Scott Suelter, Jesse C.

## POLICE OFFICERS 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	40.8	40.4	40.6
Average Age at Employment	28.5	28.5	29.0
Average Past Service	12.3	11.9	11.6
Average Annual Salary	\$49,892	\$52,746	\$53,282

## POLICE OFFICERS 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	4	1	0	0	0	0	0	0	0	0	6
25 - 29	1	5	4	2	0	2	0	0	0	0	0	14
30 - 34	3	1	1	1	0	6	3	0	0	0	0	15
35 - 39	2	2	3	0	1	8	8	6	0	0	0	30
40 - 44	1	2	2	2	3	13	11	3	4	0	0	41
45 - 49	0	0	0	0	0	3	1	4	9	1	0	18
50 - 54	0	0	0	0	1	0	1	2	4	3	0	11
55 - 59	0	1	0	1	0	1	0	0	1	0	0	4
60 - 64	0	0	0	0	0	1	0	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	1	0	0	1
Total	8	15	11	6	5	34	24	15	19	4	0	141



## VALUATION PARTICIPANT RECONCILIATION (POLICE)

## 1. Active lives

a. Number in prior valuation 10/1/11	150
b. Terminations	
i. Vested (partial or full) with deferred benefits	2
ii. Non-vested or full lump sum distribution received	6
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	1
e. Retired	0
f. DROP	8
g. Continuing participants	133
h. New entrants	8
i. Total active life participants in valuation	141

## 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	45	1	11	9	10	76
b. In	3	1	1	4	8	17
c. Out	1	0	0	2	3	6
d. Number current valuation	47	2	12	11	15	87

## 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 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 Fraternal Order of Police (FOP), Pollak-Grogan-Johnson Memorial Lodge 111.
- 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.
- Prior to 10/1/2007** Compensation shall include Administrative Pay, Clothing Allowance, Expenses Pay, Longevity, Subsistence Pay, and Vacation Buy-Back in addition to Base Pay.
- After 10/1/2007** Compensation shall mean total cash remuneration paid by the City for services rendered by the member including up to 129 hours of overtime per fiscal year, excluding any payments for extra duty, special duty or special detail work performed on behalf of a second party employer.
- 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 law enforcement experience (for which no benefit is payable). The member will pay the contribution rate at hire multiplied by the salary at hire multiplied by the years of service to be purchased. The remainder full actuarial cost must be paid by the City.

### **NORMAL RETIREMENT**

**Normal Retirement Date**

The earlier of (1) age 55 or (2) upon completion of 25 years of Credited Service (with no age requirement).

Members are 100% vested upon Normal Retirement Benefit eligibility.

**Retirement Benefit:**

For police officers with less than 20 years service:  
2.0% x AFC x Credited Service prior to 1/1/92, plus  
2.5% x AFC x Credited Service on and after 1/1/92.

For police officers 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, Police Officers who retire after October 1, 2006 receive a Supplemental Benefit equal to \$25 per month times complete years of Credited Service, payable for the life of the retiree, but ceasing at age 65 (Does not include Disability retirees)

**Maximum Benefit:**

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

**Normal Form of Benefit:**

10-year Certain and Continuous annuity.

**COLA:** Police officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three years.

### **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 Benefit payable to Police Officers is not reduced for early commencement.

**Normal Form of Benefit:**

10-year Certain and Continuous annuity.

**COLA:** Police Officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three years.

### **DEFERRED RETIREMENT OPTION PLAN (DROP)**

**Eligibility** The earlier of (1) age 55 or (2) upon completion of 25 years of Credited Service (with no age requirement).

**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.

Police officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three 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.

**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.

**COLA:** Police officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three years.

**DEATH WHILE IN SERVICE WITH AT LEAST 10  
YEARS CREDITED SERVICE**

**Benefit:** For Members who die after becoming eligible for Early Retirement Benefits or Normal Retirement Benefits, but prior to benefit commencement, the benefit otherwise payable to the Participant is then payable to the designated beneficiary.

The designated beneficiary of a Member who dies prior to becoming eligible for Early Retirement Benefits or Normal Retirement Benefits receives a monthly benefit when the Member would have met Early or Normal Retirement Benefit eligibility conditions.

**Normal Form of Benefit:** 10-year Certain and Continuous annuity to the designated beneficiary.

**COLA:** Police officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three years.

**DEATH WHILE IN SERVICE WITH LESS THAN 10  
YEARS CREDITED SERVICE**

**Benefit:** Participants who die while in active service with less than 10 years of Credited Service are due a return of accumulated contributions without interest.

**Normal Form of Benefit:** Lump Sum.

**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.

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

**Form of Benefit:** 10-year Certain and Continuous annuity.

**COLA:** Police officers that retire on or after September 30, 2000 are eligible to receive a 3% annual increase each September 30<sup>th</sup> after having been retired for three years.

**MEMBER CONTRIBUTIONS**

**Contributions:** 8.76% of Compensation effective September 30, 2000.

**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:	8.0% per year, net of investment related expenses.
Salary Increase – Individual:	6.5% per year.
Salary Increase – Total Payroll:	4.0% per year.
Payroll Growth:	4.0% per year.
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.



**Termination:** Terminations are assumed to occur according to the following sample probabilities.

<u>Age</u>	<u>Assumption</u>
20	.200
30	.120
40	.035
50	.020

**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. When a Member reaches 25 years of Credited Service, there is a 50% probability of retirement and then a 100% probability at the earlier of 1.) Age 55, 2.) 28 years of Credited Service, regardless of Age, or 3.) Age 52 with 25 years of Credited Service.

**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.

**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.

### **ACTUARIAL METHODS**

**Funding Method:** Prior to 2005: Frozen Entry Age Cost Method. This is the same as the Aggregate Method when the Unfunded Actuarial Liability = 0.

2005+: 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.

### **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.

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
**(Police Plan)**

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)
10/1/2012	75,943,613	90,392,097	14,448,484	84.02%	7,512,816	192.32%
10/1/2011	69,976,807	84,235,201	14,258,394	83.07%	7,911,836	180.22%
10/1/2010	66,832,306	74,400,062	7,567,756	89.83%	7,234,317	104.61%

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	1,432,198	911,463	520,734 *	100.00%
2011	1,371,098	850,364	520,734 *	100.00%
2010	1,026,266	505,532	520,734 *	100.00%

\* Frozen per Chapter 185, F. S., as amended.

## 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	\$56,485,028
Actives	15,198,039
Member Contributions	<u>4,869,176</u>
Total	76,552,243
Non-Vested Accrued Benefits	<u>2,831,766</u>
Total Present Value of Accrued Benefits	\$79,384,009