

**VILLAGE OF NORTH PALM BEACH GENERAL RETIREMENT FUND**  
ACTUARIAL VALUATION REPORT AS OF OCTOBER 1, 2014

ANNUAL EMPLOYER CONTRIBUTION DETERMINED FOR PLAN YEAR ENDING SEPTEMBER 30, 2016



May 5, 2015

Board of Trustees of the  
Village of North Palm Beach  
General Retirement Fund  
North Palm Beach, Florida

Dear Board Members:

The results of the October 1, 2014 Actuarial Valuation of the Village of North Palm Beach General Retirement Fund are presented in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement Fund and those designated or approved by the Board. This report may be provided to parties other than the Fund only in its entirety and only with the permission of the Board.

The purpose of the valuation is to measure the Fund's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2016 and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 27 and No. 67 for fiscal year ending September 30, 2014. This report also contains estimated GASB Statement No. 67 information for the year ending September 30, 2015.

This report should not be relied on for any purpose other than the purpose described above.

The findings in this report are based on data or other information through September 30, 2014. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include analysis of the potential range of such future measurements.

The valuation was based upon information furnished by the Village concerning Retirement Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Village.

This report was prepared using certain assumptions prescribed by the Board as described in Section B.

The undersigned actuaries are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement Funds. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Retirement Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Board of Trustees  
Village of North Palm Beach General Retirement Fund  
Page 2

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate. In my opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. 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.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

By Melissa R. Algayer  
Melissa R. Algayer, MAAA, FCA  
Enrolled Actuary No. 14-6467

By Jeff Amrose  
Jeffrey Amrose, MAAA  
Enrolled Actuary No. 14-6599

## TABLE OF CONTENTS

<b><u>Section</u></b>	<b><u>Title</u></b>	<b><u>Page</u></b>
<b>A</b>	Discussion of Valuation Results	1
<b>B</b>	Valuation Results	
	1. Participant Data	4
	2. Annual Required Contribution (ARC)	5
	3. Actuarial Value of Benefits & Assets	6
	4. Calculation of Employer Normal Cost	7
	5. Liquidation of Unfunded Liability	8
	6. Actuarial Gains and Losses	10
	7. Recent History of Valuation Results	15
	8. Recent History of Required and Funded Ratio	16
	9. Recent History of UAAL and Funded Ratio	17
	10. Actuarial Assumptions and Cost Method	18
	11. Miscellaneous and Technical Assumptions	21
	12. Glossary of Terms	22
<b>C</b>	Pension Fund Information	
	1. Statement of Assets	25
	2. Income and Disbursements	26
	3. Actuarial Value of Assets	27
	4. Investment Rate of Return	28
<b>D</b>	Financial Accounting Information	
	1. FASB No. 35 Information	29
	2. GASB No. 27 Information	30
	3. GASB No. 67 Information	31
<b>E</b>	Miscellaneous Information	
	1. Reconciliation of Membership Data	36
	2. Age/Service/Salary Distributions	37
<b>F</b>	Summary of Plan Provisions	40

**SECTION A**  
**DISCUSSION OF VALUATION RESULTS**

## DISCUSSION OF VALUATION RESULTS

### Comparison of Required Employer Contributions

A comparison of the required employer contribution developed in this year's and last year's actuarial valuations is as follows:

	For FYE 9/30/2016 Based on 10/1/2014 Valuation	For FYE 9/30/2015 Based on 10/1/2013 Valuation	Increase (Decrease)
Required Employer Contribution As % of Covered Payroll	\$ 451,907 18.92 %	\$ 551,600 19.54 %	\$ (99,693) (0.62) %

The contribution has been adjusted for interest on the basis that employer contributions are made in equal payments on a bi-weekly basis.

**Due to the decreasing payroll of the closed Plan we recommend that the dollar contribution is made instead of the percent of payroll contribution.**

The actual employer contribution during the year ending September 30, 2014 was \$562,953 or 20.84% of payroll based on a payroll amount of \$2,701,771. The minimum required contribution was 20.82% of payroll. Continuing the current contribution policy of depositing the percent of pay required contribution instead of the dollar amount is leading to lower contributions. For example, the required contribution as a dollar amount for fiscal year ending 2014 was \$693,605 and the actual contribution, which satisfied the percent of pay requirement, was only \$562,953.

### Revisions in Benefits

There were no changes in benefit provisions since the prior valuation.

### **Revisions in Actuarial Assumptions or Methods**

There were no changes in actuarial assumptions or methods since the prior valuation.

The Actuarial Standard of Practice (ASOP) No. 35 Disclosure Section 4.1.1 states “The disclosure of the mortality assumption should contain sufficient detail to permit another qualified actuary to understand the provision made for future mortality improvement. If the actuary assumes zero mortality improvement after the measurement date, the actuary should state that no provision was made for future mortality improvement.” The mortality assumption currently does not reflect future mortality improvements beyond 2010. We recommend the mortality assumption be revised to include a provision for mortality improvements after 2010. Detail on this assumption can be found in the Actuarial Assumptions and Actuarial Cost Method section.

### **Actuarial Experience**

There was an actuarial gain of \$400,394 for the year which means that actual experience was more favorable than expected. The gain was primarily due to more terminations than expected and fewer retirements than expected. There was also a gain due to the recognized asset return (on the smoothed actuarial value of assets) of 8.7% versus the assumed return of 7.5%. The return on market value was 10.1%. These gains were partially offset by a loss due to higher salary increases than expected, (10.1% as compared to 5.5% assumed). The net actuarial gain for the year translates into a decrease in annual employer contribution rate of 2.39% of covered payroll.

### **Analysis of Change in Employer Contributions**

The components of change in the required contribution are as follows:

Contribution rate last year	19.54 %
Change in actuarial assumptions	0.00
Payment on unfunded liability	1.69
Experience gain/loss	(2.39)
Change in administrative expense	<u>0.08</u>
Contribution rate this year	18.92

**Funded Ratio**

The funded ratio this year is 84.0% compared to 78.8% last year. The ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

**Variability of Future Contribution Rates**

It is important to keep in mind that under the asset smoothing method, the difference between actual and expected return is recognized over five years. As of September 30, 2014, the market value of assets exceeds the actuarial value by \$577,846. Once all the gains and losses through September 30, 2014 are fully recognized in the actuarial value of assets, the contribution rate will decrease by roughly 3.5% of payroll unless there are further gains and losses.

If we were not using an asset smoothing method, the contribution rate would have been 15.5%, and the funded ratio would have been 88.3%.

Another potential area of variability has to do with the annual payment on the unfunded accrued liability (UAL). This payment is computed as a level percent of covered payroll under the assumption that covered payroll will rise by 4% per year. According to the Florida Administrative Code, this payroll growth assumption may not exceed the average growth over the last ten years which was (6.03)%. Therefore, the UAL is being amortized as a level dollar amount.

**Conclusion**

The remainder of this Report includes detailed actuarial valuation results, financial information, miscellaneous information and statistics, and a summary of plan provisions.



**SECTION B**  
**VALUATION RESULTS**

PARTICIPANT DATA		
	October 1, 2014	October 1, 2013
<b>ACTIVE MEMBERS</b>		
Number	39	50
Covered Annual Payroll	\$ 2,296,648	\$ 2,714,355
Average Annual Payroll	\$ 58,888	\$ 54,287
Average Age	50.6	49.2
Average Past Service	15.3	14.0
Average Age at Hire	35.3	35.2
<b>RETIREES &amp; BENEFICIARIES &amp; DROP</b>		
Number	22	18
Annual Benefits	\$ 230,493	\$ 175,151
Average Annual Benefit	\$ 10,477	\$ 9,731
Average Age	66.1	66.9
<b>DISABILITY RETIREES</b>		
Number	0	0
Annual Benefits	\$ 0	\$ 0
Average Annual Benefit	\$ 0	\$ 0
Average Age	0.0	0.0
<b>TERMINATED VESTED MEMBERS</b>		
Number	49	45
Annual Benefits	\$ 432,723	\$ 340,063
Average Annual Benefit	\$ 8,831	\$ 7,557
Average Age	54.4	54.6

<b>ANNUAL REQUIRED CONTRIBUTION (ARC)</b>		
A. Valuation Date	October 1, 2014	October 1, 2013
B. ARC to Be Paid During Fiscal Year Ending	9/30/2016	9/30/2015
C. Assumed Date of Employer Contrib.	Biweekly	Biweekly
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 174,703	\$ 162,263
E. Employer Normal Cost	244,013	348,982
F. ARC if Paid on the Valuation Date: D+E	418,716	511,245
G. ARC Adjusted for Frequency of Payments	434,455	530,462
H. ARC as % of Covered Payroll	18.92 %	19.54 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	4.00 %	4.00 %
J. Covered Payroll for Contribution Year	2,388,514	2,822,929
K. REC for Contribution Year: H x J	451,907	551,600
L. REC as % of Covered Payroll in Contribution Year: M ÷ J	18.92 %	19.54 %

<b>ACTUARIAL VALUE OF BENEFITS AND ASSETS</b>		
A. Valuation Date	October 1, 2014	October 1, 2013
<b>B. Actuarial Present Value of All Projected Benefits for</b>		
1. Active Members		
a. Service Retirement Benefits	\$ 9,071,000	\$ 10,216,832
b. Vesting Benefits	396,505	538,145
c. Disability Benefits	-	-
d. Preretirement Death Benefits	129,618	147,978
e. Return of Member Contributions	2,375	6,031
f. Total	9,599,498	10,908,986
2. Inactive Members		
a. Service Retirees & Beneficiaries	2,622,692	1,952,514
b. Disability Retirees	-	-
c. Terminated Vested Members	3,431,687	2,635,454
d. Total	6,054,379	4,587,968
3. Total for All Members	15,653,877	15,496,954
C. Actuarial Accrued (Past Service) Liability per GASB No. 25	13,506,471	12,728,438
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	11,643,381	10,779,404
E. Plan Assets		
1. Market Value	11,929,879	10,433,153
2. Actuarial Value	11,352,033	10,035,961
F. Actuarial Present Value of Projected Covered Payroll	17,333,074	22,118,268
G. Actuarial Present Value of Projected Member Contributions	903,316	1,139,646

<b>CALCULATION OF EMPLOYER NORMAL COST</b>		
A. Valuation Date	October 1, 2014	October 1, 2013
B. Actuarial Present Value of Projected Benefits	\$ 15,653,877	\$ 15,496,954
C. Actuarial Value of Assets	11,352,033	10,035,961
D. Unfunded Actuarial Accrued Liability	1,669,865	1,604,388
E. Actuarial Present Value of Projected Member Contributions	903,316	1,139,646
F. Actuarial Present Value of Projected Employer Normal Costs: B-C-D-E	1,728,663	2,716,959
G. Actuarial Present Value of Projected Covered Payroll	17,333,074	22,118,268
H. Employer Normal Cost Rate: F/G	9.97 %	12.28 %
I. Covered Annual Payroll	2,296,648	2,714,355
J. Employer Normal Cost: H x I	228,976	333,323
K. Assumed Amount of Administrative Expenses	15,037	15,659
L. Total Employer Normal Cost: J+K	244,013	348,982
M. Employer Normal Cost as % of Covered Payroll	10.62 %	12.86 %

**LIQUIDATION OF THE UNFUNDED FROZEN ACTUARIAL ACCRUED LIABILITY**

A. Derivation of the Current UAAL	
1. Last Year's UAAL	\$ 1,604,388
2. Last Year's Employer Normal Cost	492,290
3. Last Year's Contributions	562,953
4. Interest at the Assumed Rate on:	
a. 1 and 2 for one year	157,251
b. 3 from dates paid	21,111
c. a - b	<u>136,140</u>
5. This Year's UAAL Prior to Revision: 1 + 2 - 3 + 4c	1,669,865
6. Change in UAAL Due to Plan Amendments and/or Changes in Actuarial Assumptions	0
7. This Year's Revised UAAL: 5 + 6	1,669,865

B. UAAL Amortization Period and Payments					
Original UAAL			Current UAAL		
Date Established	Amortization Period (Years)	Amount	Years Remaining	Amount	Payment
10/1/99	30	\$ 535,528	15	\$ 371,524	\$ 39,152
10/1/00	30	1,426,008	16	1,177,289	119,800
10/1/03	30	700,742	19	607,522	56,746
10/1/03	30	(77,576)	19	(67,256)	(6,282)
10/1/05	30	313,729	21	270,164	24,134
10/1/09	30	(2,127,680)	25	(1,858,785)	(155,119)
10/1/10	30	1,116,376	26	<u>1,169,407</u>	<u>96,272</u>
Totals				1,669,865	174,703

**C. Amortization Schedule**

The UFAAL is being amortized as a level percent of payroll over the number of years remaining in the amortization period. The expected amortization schedule is as follows:

Amortization Schedule	
Year	Expected UAAL
2014	\$ 1,669,865
2015	1,607,304
2016	1,540,046
2017	1,467,743
2018	1,390,018
2019	1,306,464
2024	784,749
2029	35,760
2034	(164,752)
2039	96,272
2040	-

### ACTUARIAL GAINS AND LOSSES

The assumptions used to anticipate mortality, employment turnover, investment income, expenses, salary increases, and other factors have been based on long range trends and expectations. Actual experience can vary from these expectations. The variance is measured by the gain and loss for the period involved. If significant long term experience reveals consistent deviation from what has been expected and that deviation is expected to continue, the assumptions should be modified. The net actuarial gain (loss) for the past year has been computed as follows:

A. Employer Normal Cost as a Percentage of Covered Payroll	
1. Last Valuation	12.28 %
2. Current Valuation	<u>9.97</u>
3. Difference: 1 - 2	2.31
B. Actuarial Present Value of Projected Covered Payroll	\$ 17,333,074
C. Net Actuarial Gain (Loss): A3 x B	400,394
D. Gain (Loss) Due to Investments	122,731
E. Gain (Loss) from Other Sources	277,663



Net actuarial gains in previous years have been as follows:

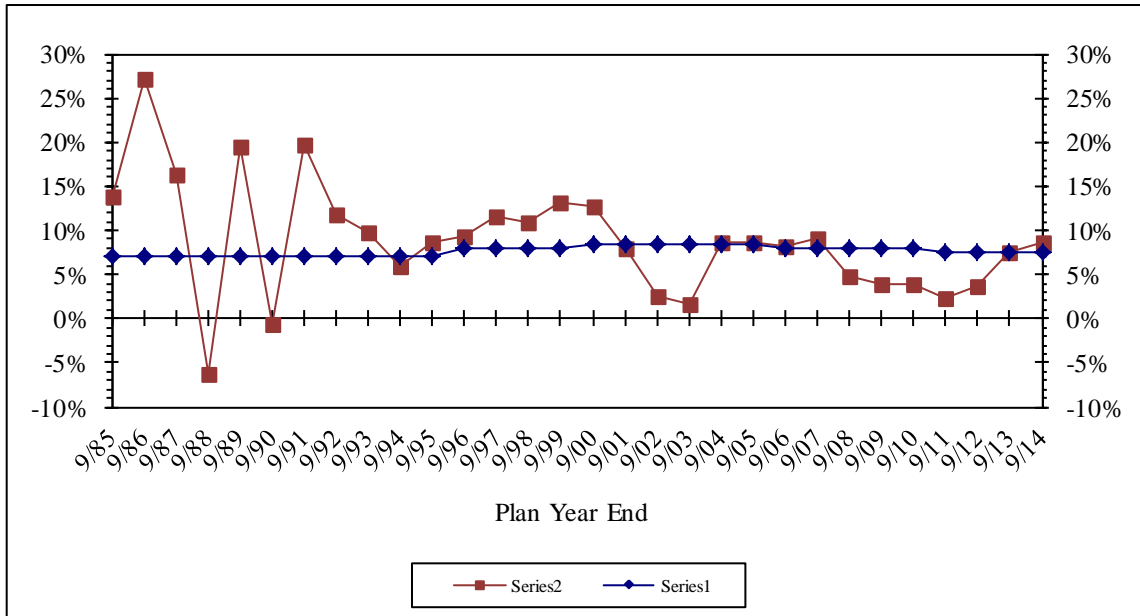
<b>Year Ended</b>	<b>Change in Employer Normal Cost Rate</b>	<b>Gain (Loss)</b>
9/30/89	(1.27) %	\$ 247,650
9/30/90	0.99	(208,184)
9/30/91	(1.89)	449,984
9/30/92	(0.46)	116,603
9/30/93	(0.85)	220,810
9/30/94	0.25	(72,092)
9/30/95	(0.75)	218,857
9/30/96	(0.62)	119,415
9/30/97	(1.09)	238,623
9/30/98	(0.63)	143,651
9/30/99	(1.14)	266,397
9/30/00	(0.42)	98,421
9/30/01	(0.99)	266,154
9/30/02	2.05	(526,865)
9/30/03	2.01	(566,552)
9/30/04	4.74	(1,665,087)
9/30/05	(0.06)	17,103
9/30/06	(1.24)	403,362
9/30/07	(1.34)	375,088
9/30/08	(0.43)	112,703
9/30/09	0.12	(31,231)
9/30/10	1.34	(392,336)
9/30/11	(0.27)	73,902
9/30/12	0.62	(159,767)
9/30/13	(2.52)	557,380
9/30/14	(2.31)	400,394

The fund earnings and salary increase assumptions have considerable impact on the cost of the Plan so it is important that they are in line with the actual experience. The table shows the actual fund earnings and salary increase rates compared to the assumed rates for the last few years:

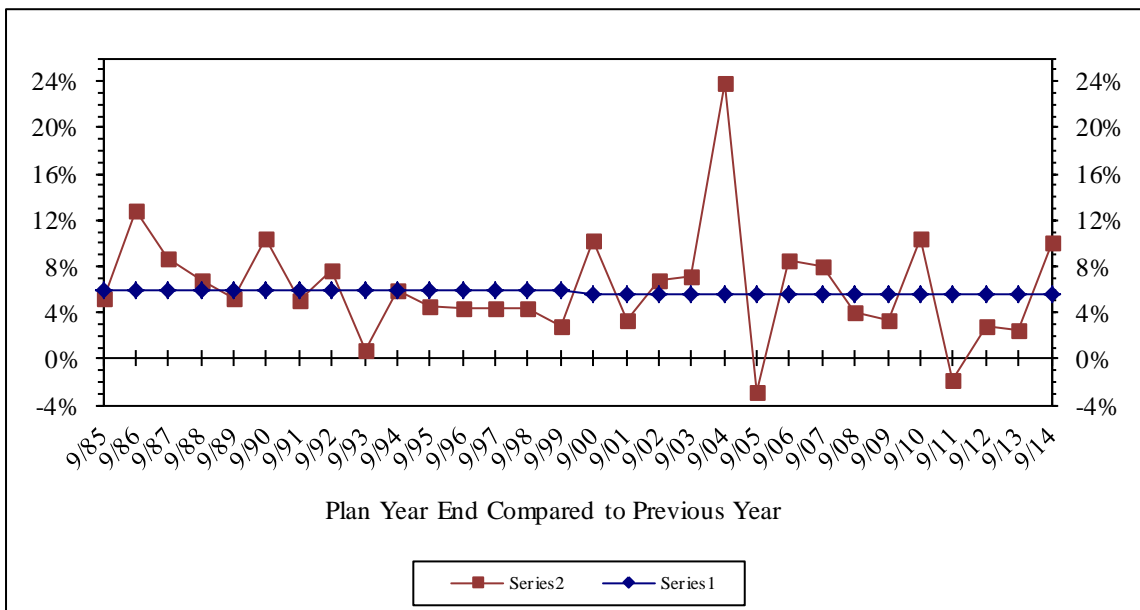
Year Ending	Investment Return		Salary Increases	
	Actual	Assumed	Actual	Assumed
9/30/1985	13.8 %	7.0 %	5.3 %	6.0 %
9/30/1986	27.2	7.0	12.8	6.0
9/30/1987	16.4	7.0	8.6	6.0
9/30/1988	(6.3)	7.0	6.8	6.0
9/30/1989	19.4	7.0	5.2	6.0
9/30/1990	(0.6)	7.0	10.4	6.0
9/30/1991	19.7	7.0	5.0	6.0
9/30/1992	11.8	7.0	7.7	6.0
9/30/1993	9.7	7.0	0.8	6.0
9/30/1994	6.0	7.0	5.9	6.0
9/30/1995	8.7	7.0	4.6	6.0
9/30/1996	9.3	8.0	4.4	6.0
9/30/1997	11.5	8.0	4.3	6.0
9/30/1998	10.9	8.0	4.3	6.0
9/30/1999	13.2	8.0	2.8	6.0
9/30/2000	12.7	8.5	10.3	5.5
9/30/2001	7.9	8.5	3.4	5.5
9/30/2002	2.5	8.5	6.8	5.5
9/30/2003	1.6	8.5	7.2	5.5
9/30/2004	8.6	8.5	23.9	5.5
9/30/2005	8.7	8.5	(2.9)	5.5
9/30/2006	8.1	8.0	8.5	5.5
9/30/2007	9.0	8.0	8.0	5.5
9/30/2008	4.9	8.0	4.0	5.5
9/30/2009	3.8	8.0	3.4	5.5
9/30/2010	4.0	8.0	10.3	5.5
9/30/2011	2.3	7.5	(1.9)	5.5
9/30/2012	3.8	7.5	2.8	5.5
9/30/2013	7.6	7.5	2.5	5.5
9/30/2014	8.7	7.5	10.1	5.5
Averages	8.6 %	---	6.1 %	---

The actual investment return rates shown are based on the actuarial value of assets. The actual salary increase rates shown are the increases received by those active members who were included in the actuarial valuations both at the beginning and the end of each year.

**History of Investment Return Based on Actuarial Value of Assets**



**History of Salary Increases**



**Actual (A) Compared to Expected (E) Decrements  
Among Active Employees**

Year Ended	Number Added During Year		Service & DROP Retirement		Disability Retirement		Death		Terminations				Active Members End of Year
	A	E	A	E	A	E	A	E	Vested	Other	Totals		
									A	A	A	E	
9/30/2003	7	3	0	7	0	0	0	0	2	1	3	3	<b>92</b>
9/30/2004	10	8	5	8	0	0	0	0	1	2	3	3	<b>94</b>
9/30/2005	12	22	10	7	0	0	0	0	9	3	12	3	<b>84</b>
9/30/2006	15	9	0	2	0	0	1	0	4	4	8	2	<b>90</b>
9/30/2007	3	21	2	4	0	0	0	0	8	11	19	4	<b>72</b>
9/30/2008	6	14	6	3	0	0	0	0	7	1	8	2	<b>64</b>
9/30/2009	5	6	2	2	0	0	0	0	3	1	4	2	<b>63</b>
9/30/2010	4	3	1	2	0	0	0	0	0	2	2	2	<b>64</b>
9/30/2011	0	2	0	3	0	0	0	0	0	2	2	2	<b>62</b>
9/30/2012	2	6	2	3	0	0	1	0	1	2	3	2	<b>58</b>
9/30/2013	2	10	3	5	0	0	1	0	6	0	6	2	<b>50</b>
9/30/2014	1	12	2	5	0	0	0	0	8	2	10	2	<b>39</b>
9/30/2015				3			0	0				1	
12 Yr Totals *	67	116	33	51	0	0	3	0	49	31	80	29	

RECENT HISTORY OF VALUATION RESULTS							
Valuation Date	Number of Members		Covered Annual Payroll	Actuarial Value of Assets	UFAAL	Employer Normal Cost	
	Active	Inactive				Amount	% of Payroll
10/1/88	71	37	\$ 1,473,422	\$ 1,743,234	\$ 0	\$ 176,109	12.0 %
10/1/89	83	37	1,715,049	2,105,292	0	184,804	10.8
10/1/90	79	37	1,848,726	2,134,052	0	232,938	12.6
10/1/91	86	34	2,022,569	2,531,076	0	219,669	10.9
10/1/92	87	35	2,153,587	2,645,252	0	216,069	10.0
10/1/93	91	35	2,241,595	3,018,716	0	205,294	9.2
10/1/94	96	35	2,471,296	3,209,342	0	258,406	10.5
10/1/95	93	35	2,451,309	3,471,658	0	245,007	10.0
10/1/96	80	39	2,251,610	3,805,073	0	229,496	10.2
10/1/97	79	40	2,380,024	4,301,968	0	214,402	9.0
10/1/98	79	42	2,435,518	4,574,342	0	204,401	8.4
10/1/99	83	46	2,532,741	5,179,781	535,528	247,653	9.8
10/1/00	84	45	2,761,773	5,732,329	1,891,134	285,337	10.3
10/1/01	93	45	3,127,313	6,312,447	1,899,439	297,452	9.5
10/1/02	88	49	3,076,493	6,193,676	1,900,967	359,426	11.7
10/1/03	92	48	3,443,843	6,759,012	2,555,216	451,615	13.1
10/1/04	94	48	4,275,981	6,578,832	2,618,609	760,337	17.8
10/1/05	84	55	3,220,258	3,817,605	2,956,402	596,120	18.5
10/1/06	90	56	3,680,960	5,283,023	2,970,967	628,515	17.1
10/1/07	72	59	3,238,894	6,481,382	2,944,876	505,658	15.6
10/1/08	64	60	2,977,995	5,824,447	2,951,925	454,988	15.3
10/1/09	63	55	3,046,421	6,048,808	811,721	375,751	12.3
10/1/10	64	55	3,424,324	6,863,057	1,696,464	510,653	14.9
10/1/11	62	51	3,251,285	7,771,444	1,556,580	477,749	14.7
10/1/12	58	53	3,203,302	8,758,198	1,573,621	492,290	15.4
10/1/13	50	63	2,714,355	10,035,961	1,604,388	348,982	12.9
10/1/14	39	71	2,296,648	11,352,033	1,669,865	244,013	10.6

RECENT HISTORY OF REQUIRED AND ACTUAL CONTRIBUTIONS				
Valuation	End of Year To Which Valuation Applies	Required Contribution		Actual Contribution*
		Amount	% of Payroll	
10/1/88	9/30/89	\$ 183,611	12.46 %	\$ 184,000
10/1/89	9/30/90	192,677	11.23	195,000
10/1/90	9/30/91	242,868	13.14	245,000
10/1/91	9/30/92	229,034	11.42	230,000
10/1/92	9/30/93	225,280	10.46	226,000
10/1/93	9/30/94	214,046	9.55	223,000
10/1/94	9/30/95	269,422	10.90	270,000
10/1/95	9/30/96	259,751	10.65	260,000
10/1/96	9/30/97	240,637	10.69	245,169
10/1/97	9/30/98	224,810	9.45	250,721
10/1/98	9/30/99	214,323	8.80	227,112
10/1/99	9/30/00	292,866	11.56	372,744
10/1/00	9/30/01	415,152	15.03	447,128
10/1/01	9/30/02	430,411	13.76	467,750
10/1/02	9/30/03	502,855	16.35	503,220
10/1/02	9/30/04	523,127	16.35	524,000
10/1/03	9/30/05	662,237	18.49	662,237
10/1/04	9/30/06	1,007,695	22.66	1,007,695
10/1/05	9/30/07	866,069	25.86	873,854
10/1/06	9/30/08	875,126	22.86	876,712
10/1/07	9/30/09	761,943	22.62	765,381
10/1/08	9/30/10	734,636	23.72	759,529
10/1/09	9/30/11	499,954	15.78	646,537
10/1/10	9/30/12	696,946	19.57	625,209
10/1/11	9/30/13	671,534	19.86	579,118
10/1/12	9/30/14	693,605	20.82	562,953
10/1/13	9/30/15	551,600	19.54	na
10/1/14	9/30/16	451,907	18.92	na

\*Employer contributes based on the percent of covered payroll requirement.

**RECENT HISTORY OF UAAL AND FUNDED RATIO**

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 % of Covered Payroll (b - a) / c
10/1/91	\$ 2,531,076	\$ 2,716,601	\$ 185,525	93.2 %	\$ 2,022,569	9.2 %
10/1/92	2,645,252	3,055,166	409,914	86.6	2,153,587	19.0
10/1/93	3,018,716	3,258,012	239,296	92.7	2,241,595	10.7
10/1/94	3,209,342	3,659,663	450,321	87.7	2,471,296	18.2
10/1/95	3,471,658	4,132,092	660,434	84.0	2,451,309	26.9
10/1/96	3,805,073	4,295,018	489,945	88.6	2,251,610	21.8
10/1/97	4,301,968	4,585,587	283,619	93.8	2,380,024	11.9
10/1/98	4,574,342	4,733,864	159,522	96.6	2,435,518	6.5
10/1/99	5,179,781	5,943,849	764,068	87.1	2,543,984	30.0
10/1/00	5,732,329	7,508,961	1,776,632	76.3	2,761,773	64.3
10/1/01	6,312,447	8,150,125	1,837,678	77.5	3,127,313	58.8
10/1/02	6,193,676	8,594,442	2,400,766	72.1	3,076,493	78.0
10/1/03	6,759,012	10,404,349	3,645,337	65.0	3,443,843	105.9
10/1/04	6,578,832	12,084,785	5,505,953	54.4	4,275,981	128.8
10/1/05	3,817,605	9,116,599	5,298,994	41.9	3,220,258	164.6
10/1/06	5,283,023	10,490,332	5,207,309	50.4	3,680,960	141.5
10/1/07	6,481,382	10,997,783	4,516,401	58.9	3,238,894	139.4
10/1/08	5,824,447	10,138,981	4,314,534	57.4	2,977,995	144.9
10/1/09	6,048,808	8,328,331	2,279,523	72.6	3,046,421	74.8
10/1/10	6,863,057	10,516,549	3,653,492	65.3	3,424,324	106.7
10/1/11	7,771,444	11,103,522	3,332,078	70.0	3,251,285	102.5
10/1/12	8,758,198	12,231,978	3,473,780	71.6	3,203,302	108.4
10/1/13	10,035,961	12,728,438	2,692,477	78.8	2,714,355	99.2
10/1/14	11,352,033	13,506,471	2,154,438	84.0	2,296,648	93.8

## ACTUARIAL ASSUMPTIONS AND COST METHOD

### Valuation Methods

**Actuarial Cost Method** – Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the Frozen Entry-Age Actuarial Cost Method. The excess of the Actuarial Present Value of Projected Benefits of the group included in the valuation, over the sum of the Actuarial Value of Assets, the Unfunded Frozen Actuarial Accrued Liability and the Actuarial Present Value of Future Member Contribution (if any) is allocated as a level percentage of earnings of the group between the valuation date and the assumed retirement age. This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of this Actuarial Present Value allocated to a specific year is called the Employer Normal Cost.

Under this method, actuarial gains (losses) reduce (increase) future Normal Costs.

**Financing of Unfunded Actuarial Accrued Liabilities** - Unfunded Actuarial Accrued Liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) percent-of-payroll contributions over a reasonable period of future years.

**Actuarial Value of Assets** - The Actuarial Value of Assets phases in the difference between the expected return on the actuarial value of assets and the actual return on the market of assets at the rate of 20% per year. The Actuarial Value of Assets is further adjusted if necessary to fall within the corridor whose lower limit is 80% of the Market Value of plan assets and whose upper limit is 120% of the Market Value of plan assets. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than assumed rate, Actuarial Value of Assets will tend to be greater than Market Value.

### Valuation Assumptions

*The actuarial assumptions used* in the valuation are shown in this Section.

### Economic Assumptions

**The investment return rate** assumed in the valuation is 7.5% per year, compounded annually (net after investment expenses).

The **Wage Inflation Rate** assumed in this valuation was 4% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macro economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.

The assumed **real rate of return** over wage inflation is defined to be the portion of total investment return that is more than the assumed wage inflation rate. Considering other economic assumptions, the 7.5% investment return rate translates to an assumed real rate of return over wage inflation of 3.5%.



The active member population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at 4% per year. According to the Florida Administrative Code, this payroll growth assumption may not exceed the average growth over the last ten years. The most recent ten year average is (6.03)%. Therefore, the Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount.

*The payroll growth assumption* used to project total covered payroll to the following fiscal year is 4% per year.

*The rate of salary increase* for individual members is assumed to be 5.5% per year. This assumption is used to project a member's current salary to salaries upon which benefits will be based.

### **Demographic Assumptions**

*The mortality table* is the RP 2000 Combined Healthy Participant Mortality Tables for males and females projected to 2010. The provision for projecting future mortality improvements through 2010 is being made by using Scale AA. There is no allowance for mortality improvements after 2010.

This assumption is used to measure the probabilities of each benefit payment being made after retirement. For active members, the probabilities of dying before retirement were based upon the same mortality table as members dying after retirement. For disabled retirees, the regular mortality tables are set forward 5 years in ages to reflect impaired longevity.

As noted in the Discussion of Valuation Results section, we recommend that the mortality assumption be revised to reflect a provision for mortality improvements after 2010. Sample values of the current and proposed life expectancies are shown in the tables below.

#### **Current Mortality Assumption**

Attained Ages on 10/1/2014	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
	50	0.18 %	0.14 %	31.81
55	0.30	0.25	27.13	29.40
60	0.57	0.48	22.62	24.85
65	1.11	0.92	18.40	20.57
70	1.91	1.59	14.56	16.65
75	3.29	2.59	11.08	13.11
80	5.82	4.28	8.09	9.96

**Proposed Mortality Assumption\***

Attained Ages in 10/1/2014	Probability of		Future Life	
	Dying Next Year		Expectancy (years)	
	Men	Women	Men	Women
50	0.17 %	0.13 %	34.26	35.63
55	0.28	0.24	29.14	30.66
60	0.54	0.47	24.21	25.89
65	1.05	0.90	19.60	21.40
70	1.80	1.56	15.41	17.28
75	3.11	2.51	11.63	13.56
80	5.59	4.16	8.41	10.25

*\*The RP-2000 Combined Healthy Participant Mortality Tables for males and females. The provision for future mortality improvements is being made by using Scale AA after 2000.*

**The rates of retirement** used to measure the probability of eligible members retiring during the next year were as follows:

Probability of Early Retirement: 5% per year

Number of Years After First Eligibility for Normal Retirement	Probability of Normal Retirement
0 - 1	60 %
1 - 2	40
2 - 3	40
3 - 4	40
4 - 5	40
5+	100

**Rates of separation from active membership** were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Turnover
25	18.8%
30	11.2%
35	6.3%
40	4.8%
45	3.4%
50	2.4%
55	0.5%
60	0.0%

**Rates of disability** among active members – It was assumed that no members would become disabled.

### Miscellaneous and Technical Assumptions

<i>Administrative &amp; Investment Expenses</i>	The investment return assumption is intended to be the return net of investment expenses. Annual administrative expenses are assumed to be equal to the average of the prior two years' expenses. Assumed administrative expenses are added to the Normal Cost.
<i>Benefit Service</i>	Exact fractional service is used to determine the amount of benefit payable.
<i>Decrement Operation</i>	Mortality operates during retirement eligibility.
<i>Decrement Timing</i>	Decrements of all types are assumed to occur at the beginning of the year.
<i>Eligibility Testing</i>	Eligibility for benefits is determined using the age nearest birthday and service nearest whole year on the anniversary of the valuation date.
<i>Forfeitures</i>	For vested separations from service, it is assumed that 0% of members separating will withdraw their contributions and forfeit an employer financed benefit. It was further assumed that the liability at termination is the greater of the vested deferred benefit (if any) or the member's accumulated contributions.
<i>Incidence of Contributions</i>	Employer contributions are assumed to be made at the end of each biweekly pay period. Member contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<i>Marriage Assumption</i>	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<i>Normal Form of Benefit</i>	A life annuity is the normal form of benefit.
<i>Pay Increase Timing</i>	Middle of fiscal year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
<i>Cost of Living Increase</i>	3% per year for members hired before February 1, 1982, members hired after September 30, 2000, or those hired before October 1, 2000 who elected to contribute an additional 2%.
<i>Service Credit Accruals</i>	It is assumed that members accrue one year of service credit per year.

## GLOSSARY OF TERMS

<i><b>Actuarial Accrued Liability (AAL)</b></i>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<i><b>Actuarial Assumptions</b></i>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
<i><b>Actuarial Cost Method</b></i>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of Future Normal Costs and the Actuarial Accrued Liability.
<i><b>Actuarial Equivalent</b></i>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<i><b>Actuarial Present Value (APV)</b></i>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<i><b>Actuarial Present Value of Future Benefits (APVFB)</b></i>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<i><b>Actuarial Valuation</b></i>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the Funded Ratio and the Annual Required Contribution (ARC).
<i><b>Actuarial Value of Assets</b></i>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC).
<i><b>Amortization Method</b></i>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.

<i>Amortization Payment</i>	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<i>Amortization Period</i>	The period used in calculating the Amortization Payment.
<i>Annual Required Contribution (ARC)</i>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB. The ARC consists of the Employer Normal Cost and Amortization Payment.
<i>Closed Amortization Period</i>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<i>Employer Normal Cost</i>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<i>Equivalent Single Amortization Period</i>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
<i>Experience Gain/Loss</i>	A measure of the difference between the normal cost rate from last year and the normal cost rate from this year.
<i>Frozen Entry Age Actuarial Cost Method</i>	A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in the valuation, over the sum of the Actuarial Value of Assets, the Unfunded Frozen Actuarial Accrued Liability and the Actuarial Present Value of Future Member Contributions (if any) is allocated as a level percentage of earnings of the group between the valuation date and the assumed retirement age. This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of this Actuarial Present Value allocated to a specific year is called the <b>Employer Normal Cost</b> . Under this method, actuarial gains (losses) reduce (increase) future Normal Costs.
<i>Frozen Actuarial Accrued Liability</i>	The portion of the Actuarial Present Value of Projected Benefits which is separated as of a valuation date and frozen under the Actuarial Cost Method being used. This separated portion is the sum of an initial Unfunded Actuarial Accrued Liability and any increments or decrements in the Actuarial Accrued Liability established subsequently as a result of changes in pension plan benefits, Actuarial Assumptions or methods.
<i>Funded Ratio</i>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<i>GASB</i>	Governmental Accounting Standards Board.
<i>GASB No. 27 and GASB No. 67</i>	These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.

<i>Normal Cost</i>	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
<i>Open Amortization Period</i>	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
<i>Unfunded Actuarial Accrued Liability</i>	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
<i>Valuation Date</i>	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.

**SECTION C**  
**PENSION FUND INFORMATION**

## STATEMENT OF ASSETS

Item	September 30	
	2014	2013
A. Cash and Cash Equivalents (Operating Cash)	\$ -	\$ -
B. Receivables:		
1. Member Contributions	\$ -	\$ -
2. Employer Contributions	\$ 27,589	\$ 25,786
3. Investment Income and Other Receivables	2,705	2,040
4. Total Receivables	\$ 30,294	\$ 27,826
C. Investments		
1. Short-Term Investments	\$ 153,656	\$ 326,112
2. Domestic and International Equities	9,007,221	7,457,979
3. Domestic and International Fixed Income	2,748,417	2,629,508
4. Real Estate	-	-
5. Private Equity	-	-
6. Total Investments	\$ 11,909,294	\$ 10,413,599
D. Liabilities		
1. Benefits/Refunds Payable	\$ -	\$ -
2. Lump Sums Distributions Payable	-	-
3. Accrued Expenses and Other Payables	(9,709)	(8,272)
4. Other	-	-
5. Total Liabilities	\$ (9,709)	\$ (8,272)
E. Total Market Value of Assets Available for Benefits	\$ 11,929,879	\$ 10,433,153
F. Allocation of Investments		
1. Short-Term Investments	1.29%	3.13%
2. Domestic and International Equities	75.63%	71.62%
3. Domestic and International Fixed Income	23.08%	25.25%
4. Real Estate	0.00%	0.00%
5. Private Equity	0.00%	0.00%
6. Total Investments	100.00%	100.00%



**INCOME AND DISBURSEMENTS**

<b>Item</b>	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
A. Market Value of Assets at Beginning of Year	\$ 10,433,153	\$ 8,797,605
B. Revenues and Expenditures		
1. Contributions		
a. Employee Contributions	\$ 142,609	\$ 154,680
b. City Contributions	562,953	579,118
c. Purchased Service Credit	-	-
d. Total	<u>\$ 705,562</u>	<u>\$ 733,798</u>
2. Investment Income		
a. Interest, Dividends, and Other Income	\$ 319,236	\$ 266,327
b. Realized Gains/(Losses)	274,012	197,112
c. Unrealized Gains/(Losses)	515,325	611,212
d. Investment Expenses	(36,564)	(31,068)
e. Net Investment Income	<u>\$ 1,072,009</u>	<u>\$ 1,043,583</u>
3. Benefits and Refunds		
a. Refunds	\$ (42,137)	\$ -
b. Regular Monthly Benefits	(221,537)	(128,931)
c. Lump Sum Distributions	-	-
d. Total	<u>\$ (263,674)</u>	<u>\$ (128,931)</u>
4. Administrative and Miscellaneous Expenses	\$ (17,171)	\$ (12,902)
C. Market Value of Assets at End of Year	\$ 11,929,879	\$ 10,433,153

### ACTUARIAL VALUE OF ASSETS

Valuation Date – September 30	2013	2014	2015	2016	2017	2018
A. Actuarial Value of Assets Beginning of Year	\$ 8,758,198	\$ 10,035,961	\$ -	\$ -	\$ -	\$ -
B. Market Value End of Year	\$ 10,433,153	\$ 11,929,879	-	-	-	-
C. Market Value Beginning of Year	8,797,605	10,433,153	-	-	-	-
D. Non-Investment/Administrative Net Cash Flow	591,965	424,717				
E. Investment Income						
E1. Actual Market Total: B-C-D	1,043,583	1,072,009	-	-	-	-
E2. Assumed Rate of Return	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
E3. Assumed Amount of Return	679,064	768,624	-	-	-	-
E4. Amount Subject to Phase-In: E1-E3	364,519	303,385	-	-	-	-
F. Phase-In Recognition of Investment Income						
F1. Current Year: 0.20 x E4	72,904	60,677	-	-	-	-
F2. First Prior Year	122,997	72,904	60,677	-	-	-
F3. Second Prior Year	(129,565)	122,997	72,904	60,677	-	-
F4. Third Prior Year	(4,283)	(129,565)	122,997	72,904	60,677	-
F5. Fourth Prior Year	(55,319)	(4,282)	(129,565)	122,996	72,902	60,677
F6. Total Phase-Ins	6,734	122,731	127,013	256,577	133,579	60,677
<b>G. Actuarial Value of Assets (AVA) End of Year</b>						
G1. Preliminary AVA End of Year: A+D+E3+F6	\$ 10,035,961	\$ 11,352,033	\$ -	\$ -	\$ -	\$ -
G2. Upper Corridor Limit: 120%*B	12,519,784	14,315,855	-	-	-	-
G3. Lower Corridor Limit: 80%*B	8,346,522	9,543,903	-	-	-	-
G4. Funding Value End of Year	10,035,961	11,352,033	-	-	-	-
G5. Less: DROP Balance	-	-	-	-	-	-
G6. Final Funding Value End of Year	10,035,961	11,352,033	-	-	-	-
H. Difference between Market & AVA	397,192	577,846	\$ -	\$ -	\$ -	\$ -
<b>I. Actuarial Rate of Return</b>	7.57%	8.70%	0.00%	0.00%	0.00%	0.00%
<b>J. Market Value Rate of Return</b>	11.48%	10.07%	0.00%	0.00%	0.00%	0.00%
<b>K. Ratio of AVA to Market Value</b>	96.19%	95.16%	0.00%	0.00%	0.00%	0.00%

<u>Year Ended</u>	<u>Investment Rate of Return*</u>	
	<u>Market Value**</u>	<u>Actuarial Value</u>
9/30/85	13.8 %	13.8 %
9/30/86	27.2	27.2
9/30/87	16.4	16.4
9/30/88	(6.3)	(6.3)
9/30/89	19.4	19.4
9/30/90	(0.6)	(0.6)
9/30/91	19.7	19.7
9/30/92	11.8	11.8
9/30/93	10.0	9.7
9/30/94	(1.5)	6.0
9/30/95	18.6	8.7
9/30/96	12.6	9.3
9/30/97	23.1	11.5
9/30/98	5.6	10.9
9/30/99	13.9	13.2
9/30/00	13.0	12.7
9/30/01	(4.6)	7.9
9/30/02	(6.6)	2.5
9/30/03	10.9	1.6
9/30/04	9.0	8.6
9/30/05	9.0	8.7
9/30/06	6.9	8.1
9/30/07	12.6	9.0
9/30/08	(11.4)	4.9
9/30/09	3.8	3.8
9/30/10	8.8	4.0
9/30/11	(1.6)	2.3
9/30/12	16.9	3.8
9/30/13	11.5	7.6
9/30/14	10.1	8.7
<b>Average Returns:</b>		
Last 5 Years	9.0 %	5.2 %
Last 10 Years	6.4 %	6.1 %
All Years	8.7 %	8.6 %

\* Figures prior to 1988 were taken from the previous actuary's report for 1987.  
 \*\* Net rate after investment expenses starting in 2004.

**SECTION D**  
**FINANCIAL ACCOUNTING INFORMATION**

FASB NO. 35 INFORMATION		
A. Valuation Date	October 1, 2014	October 1, 2013
B. Actuarial Present Value of Accumulated Plan Benefits		
1. Vested Benefits		
a. Members Currently Receiving Payments	\$ 2,622,692	\$ 1,952,514
b. Terminated Vested Members	3,431,687	2,635,454
c. Other Members	<u>5,388,606</u>	<u>5,898,973</u>
d. Total	11,442,985	10,486,941
2. Non-Vested Benefits	200,396	292,463
3. Total Actuarial Present Value of Accumulated Plan Benefits: 1d + 2	11,643,381	10,779,404
4. Accumulated Contributions of Active Members	907,377	1,048,247
C. Changes in the Actuarial Present Value of Accumulated Plan Benefits		
1. Total Value at Beginning of Year	10,779,404	9,748,090
2. Increase (Decrease) During the Period Attributable to:		
a. Plan Amendment	0	0
b. Change in Actuarial Assumptions	0	0
c. Latest Member Data, Benefits Accumulated and Decrease in the Discount Period	1,127,651	1,160,245
d. Benefits Paid	<u>(263,674)</u>	<u>(128,931)</u>
e. Net Increase	863,977	1,031,314
3. Total Value at End of Period	11,643,381	10,779,404
D. Market Value of Assets	11,929,879	10,433,153

**ANNUAL PENSION COST AND NET PENSION OBLIGATION  
(GASB STATEMENT NO. 27)**

Employer FYE September 30	2014	2013
Annual Required Contribution (ARC)	\$ 562,509	\$ 579,118
Interest on Net Pension Obligation (NPO)	(22,319)	(23,341)
Adjustment to ARC	(36,993)	(36,968)
Annual Pension Cost (APC)	577,183	592,745
Contributions made	562,953	579,118
Increase (decrease) in NPO	14,230	13,627
NPO at beginning of year	(297,591)	(311,218)
NPO at end of year	(283,361)	(297,591)

\*\* To be determined.

**THREE YEAR TREND INFORMATION**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	\$ 639,460	\$ 625,209	97.8 %	\$ (311,218)
9/30/2013	592,745	579,118	97.7	(297,591)
9/30/2014	577,183	562,953	97.5	(283,361)

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
GASB Statement No. 67**

Fiscal year ending September 30,	<u>2015*</u>	<u>2014</u>
<b>Total pension liability</b>		
Service Cost	\$ 317,676	\$ 374,926
Interest	1,047,539	972,865
Benefit Changes	-	-
Difference between actual & expected experience	(306,084)	-
Assumption Changes	-	-
Benefit Payments	(324,522)	(221,537)
Refunds	(1,564)	(42,137)
<b>Net Change in Total Pension Liability</b>	<u>733,045</u>	<u>1,084,117</u>
<b>Total Pension Liability - Beginning</b>	<u>13,812,555</u>	<u>12,728,438</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 14,545,600</u>	<u>\$ 13,812,555</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer and State	\$ 551,600	\$ 562,953
Contributions - Member	125,631	142,609
Net Investment Income	907,324	1,072,009
Benefit Payments	(324,522)	(221,537)
Refunds	(1,564)	(42,137)
Administrative Expense	(15,591)	(17,171)
Other	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,242,878</u>	<u>1,496,726</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>11,929,879</u>	<u>10,433,153</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 13,172,757</u>	<u>\$ 11,929,879</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>1,372,843</u>	<u>1,882,676</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	90.56 %	86.37 %
<b>Covered Employee Payroll</b>	\$ 2,296,648	\$ 2,701,771
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	59.78 %	69.68 %

\* These figures are estimates only. Actual figures will be provided after the end of the fiscal year.

**SCHEDULE OF THE EMPLOYER'S NET PENSION LIABILITY**  
**GASB Statement No. 67**

FY Ending September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015*	\$ 14,545,600	\$ 13,172,757	\$ 1,372,843	90.56%	\$ 2,296,648	59.78%
2014	13,812,555	11,929,879	1,882,676	86.37%	2,701,771	69.68%

**\* These figures are estimates only. Actual figures will be provided after the end of the fiscal year.**



**SCHEDULE OF CONTRIBUTIONS**  
**GASB Statement No. 67**

FY Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015*	\$ 551,600	\$ 551,600	\$ -	\$ 2,296,648	24.02%
2014	562,509	562,953	(444)	2,701,771	20.82%

**\* These figures are estimates only. Actual figures will be provided after the end of the fiscal year.**

**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
**GASB Statement No. 67**

**Valuation Date:** October 1, 2013  
**Notes** Actuarially determined contribution rates are calculated as of October 1, which is one year prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level Percent - Closed
Remaining Amortization Period	26
Asset Valuation Method	5-year smoothed market
Inflation	4.0%
Salary Increases	5.5% , including inflation
Investment Rate of Return	7.50%
Retirement Age	Varies by number of years since first eligible
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to 2010 using Scale AA

**Other Information:**

**Notes** See Discussion of Valuation Results on Page 1

**SINGLE DISCOUNT RATE**  
**GASB Statement No. 67**

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

**Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption\***

1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
\$ 3,331,905	\$ 1,372,843	\$ (303,940)

\* These figures are estimates projected to September 30, 2015. Actual figures will be provided after the end of the fiscal year.

**SECTION E**  
**MISCELLANEOUS INFORMATION**

<b>RECONCILIATION OF MEMBERSHIP DATA</b>		
	<b>From 10/1/13 to 10/1/14</b>	<b>From 10/1/12 to 10/1/13</b>
<b>A. Active Members</b>		
1. Number Included in Last Valuation	50	58
2. New Members Included in Current Valuation	1	2
3. Non-Vested Employment Terminations	(2)	0
4. Vested Employment Terminations	(8)	(6)
5. Service Retirements	(2)	(3)
6. Disability Retirements	0	0
7. Deaths	0	(1)
8. Other	0	0
9. Number Included in This Valuation	<u>39</u>	<u>50</u>
<b>B. Terminated Vested Members</b>		
1. Number Included in Last Valuation	45	43
2. Additions from Active Members	8	6
3. Lump Sum Payments/Refund of Contributions	(1)	0
4. Payments Commenced	(3)	(4)
5. Deaths	0	0
6. Other--Return to Actives	0	0
7. Number Included in This Valuation	<u>49</u>	<u>45</u>
<b>C. Service Retirees, Disability Retirees and Beneficiaries</b>		
1. Number Included in Last Valuation	18	10
2. Additions from Active Members	2	3
3. Additions from Terminated Vested Members	3	4
4. Additions from DROP Plan	0	0
4. Deaths Resulting in No Further Payments	(1)	0
5. Deaths Resulting in New Survivor Benefits	0	1
6. End of Certain Period - No Further Payments	0	0
7. Other -- Lump Sum Distributions	0	0
8. Number Included in This Valuation	<u>22</u>	<u>18</u>

**NORTH PALM BEACH GENERAL EMPLOYEES - ACTIVE MEMBERS ON OCTOBER 1, 2014**

Age Group	Years of Service							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	
20-24 No.								
Total Pay								
Avg Pay								
25-29 No.	1							1
Total Pay	31,226							31,226
Avg Pay	31,226							31,226
30-34 No.		2						2
Total Pay		108,104						108,104
Avg Pay		54,052						54,052
35-39 No.		1	2					3
Total Pay		46,695	76,995					123,690
Avg Pay		46,695	38,498					41,230
40-44 No.	1		2	1				4
Total Pay	32,158		163,478	71,876				267,512
Avg Pay	32,158		81,739	71,876				66,878
45-49 No.		1	1			2		4
Total Pay		91,113	64,423			137,176		292,712
Avg Pay		91,113	64,423			68,588		73,178
50-54 No.	2	2		3		2		9
Total Pay	73,048	88,793		163,064		108,071		432,976
Avg Pay	36,524	44,397		54,355		54,036		48,108
55-59 No.		4		2		4	1	11
Total Pay		237,590		88,473		277,556	71,934	675,553
Avg Pay		59,398		44,237		69,389	71,934	61,414
60-64 No.			1	2			1	4
Total Pay			49,531	96,418			108,799	254,748
Avg Pay			49,531	48,209			108,799	63,687
65-99 No.		1						1
Total Pay		48,660						48,660
Avg Pay		48,660						48,660
Total No.	4	11	6	8		8	2	39
Total Pay	136,432	620,955	354,427	419,831		522,803	180,733	2,235,181
Avg Pay	34,108	56,450	59,071	52,479		65,350	90,367	57,312

NORTH PALM BEACH GENERAL INACTIVE PARTICIPANTS RECEIVING THE COLA  
AS OF OCTOBER 1, 2014

Age	Terminated Vested		Disabled		Retirees and Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 45	3	\$28,437	0	\$0	0	\$0
45-49	3	43,068	0	0	0	0
50-54	7	76,923	0	0	0	0
55-59	5	146,932	0	0	2	32,637
60-64	2	11,101	0	0	5	56,414
65-69	1	446	0	0	3	36,681
70-74	1	640	0	0	0	0
75-79	1	442	0	0	0	0
80-84	0	0	0	0	0	0
85-89	0	0	0	0	0	0
90 & Up	0	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>\$307,989</b>	<b>0</b>	<b>\$0</b>	<b>10</b>	<b>\$125,732</b>

NORTH PALM BEACH GENERAL INACTIVE PARTICIPANTS NOT RECEIVING THE COLA  
AS OF OCTOBER 1, 2014

Age	Terminated Vested		Disabled		Retirees and Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 45	3	\$29,040	0	\$0	0	\$0
45-49	1	948	0	0	0	0
50-54	12	58,726	0	0	0	0
55-59	5	16,332	0	0	4	54,607
60-64	5	19,688	0	0	2	35,022
65-69	0	0	0	0	2	3,674
70-74	0	0	0	0	1	2,573
75-79	0	0	0	0	0	0
80-84	0	0	0	0	1	5,119
85-89	0	0	0	0	2	3,767
90 & Up	0	0	0	0	0	0
<b>Total</b>	<b>26</b>	<b>\$124,734</b>	<b>0</b>	<b>\$0</b>	<b>12</b>	<b>\$104,762</b>



**SECTION F**  
**SUMMARY OF PLAN PROVISIONS**

## SUMMARY OF PLAN PROVISIONS

### A. Ordinances

Plan established under the Code of Ordinances for the Village of North Palm Beach, Florida, Part II, Chapter 2, and was most recently amended under Ordinance No. 2010-7 passed May 27, 2010 and effective February 25, 2010. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes (F.S.) and the Internal Revenue Code.

### B. Effective Date

September 1, 1967

### C. Plan Year

October 1 through September 30

### D. Type of Plan

Qualified, governmental defined benefit retirement plan; for GASB purposes it is a single employer plan.

### E. Eligibility Requirements

All full-time, General Employees are eligible for membership.

### F. Credited Service

Total number of years and fractional parts of years of actual service

### G. Compensation

Total compensation for services rendered to the Village as a General Employee includes gross salary including overtime but excluding bonuses or any other non regular payments such as unused sick leave and vacation pay.

### H. Final Average Compensation (FAC)

The average of Compensation during the 5 years within the last 10 years of employment which produces the highest average

**I. Normal Retirement**

Eligibility:	A member may retire on the first day of the month coincident with or next following: <ul style="list-style-type: none"> <li>➤ Age 65 for employees hired prior to 1983</li> <li>➤ Age 65 and 9 years of credited service or Age 60 and 9 years of credited service, depending on employee hire date and/or employee contribution rate.</li> </ul>
Benefit:	Either 2%, 2.25%, or 2.50% (depending on employee contribution rate) of AME multiplied by Credited Service up to 20 years plus 1% of AME multiplied by Credited Service over 20 years.
Normal Form of Benefit:	Life Annuity, with other options available.
COLA:	For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**J. Early Retirement**

Eligibility:	Age 55.
Benefit:	Calculated in the same manner as Normal Retirement Benefit and payable at Normal Retirement Date; or payable immediately after reduction by 5% for each year by which the benefit commencement date precedes the Normal Retirement Date.
Normal Form of Benefit:	Life Annuity, with other options available.
COLA:	For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**K. Delayed Retirement**

Eligibility:	Any time after the Normal Retirement Date.
Benefit:	Calculated in the same manner as Normal Retirement Benefit but using the AME and Credited Service as of the actual retirement date.
Normal Form of Benefit:	Life Annuity, with other options available.
COLA:	For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**L. Service Connected Disability**

Eligibility: The Plan does not provide for benefits in the event of disability.

Benefit: N/A.

Normal Form: N/A.

COLA: N/A.

**M. Non-Service Connected Disability**

Eligibility: The Plan does not provide for benefits in the event of disability.

Benefit: N/A.

Normal Form: N/A.

COLA: N/A.

**N. Death while employed by the Village**

Eligibility: Members are eligible for survivor benefits after the completion of 5 years of Credited Service. The benefit will be paid to the member's beneficiary.

Benefit: The survivor benefit payable to the designated beneficiary is the member's vested accrued Normal Retirement Benefit as of the date of death.

Normal Form  
of Benefit: Ten Years Certain.

COLA: For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**O. Other Pre-Retirement Death**

Eligibility: Vested terminated members who have reached age 55 and completed 5 years of Credited Service.

Benefit: Benefit payable as if member retired on the date of death, selected a 50% Joint & Survivor annuity, and then passed away, with 50% of the benefit then continuing to the survivor.

Normal Form  
of Benefit: Life of the beneficiary.

COLA: For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**P. Post Retirement Death**

Benefit determined by the form of benefit elected upon retirement.

**Q. Optional Forms**

In lieu of electing the Normal Form of benefit, the optional forms of benefits available to all retirees are the 10 Year Certain and Life option or the 50%, 66.67%, 75% or 100% Joint and Survivor options. A Social Security option is also available for members retiring prior to the time they are eligible for Social Security retirement benefits. The Pension Board also reserves the right to pay out beneficiaries with this option when the monthly benefit amount is less than \$100.00.

**R. Vested Termination**

Eligibility: A member has earned a non-forfeitable right to Plan benefits after the completion of 5 years of Credited Service.

Benefit: The benefit is the Accrued Benefit on the termination date multiplied by the vested interest. The vested percentage is 50% for those terminating with credited service between 5 and 7 years, 75% for service between 7 and 9 years and 100% for those terminating with 9 or more years of credited service. In lieu of the deferred vested benefit, a member may receive a refund of member contributions.

Normal Form  
of Benefit: Life Annuity, with other options available.

COLA: For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**S. Refunds**

Return of Accumulated Contributions.

**T. Member Contributions**

6%, 4%, 2%, or 0% of Earnings as elected by the employee.

**U. Employer Contributions**

The amount determined by the actuary needed to fund the plan properly according to State laws.

**V. Cost of Living Increases**

For those retired before February 1, 1982, those hired after 9/30/00, or those hired before 10/1/00 who elect to contribute an extra 2%, a Cost of Living increase is paid annually from the Plan, up to a maximum of 3%.

**W. Changes from Previous Valuation**

None.

**X. 13<sup>th</sup> Check**

Not Applicable.

**Y. Deferred Retirement Option Plan**

Eligibility: The Plan does not provide for DROP benefits.

**Z. Other Ancillary Benefits**

There are no ancillary retirement type benefits not required by statutes but which might be deemed a Village of North Palm Beach General Employees' liability if continued beyond the availability of funding by the current funding source.