

**TOWN OF PALM BEACH RETIREMENT SYSTEM**  
COMBINED ACTUARIAL VALUATION REPORT FOR  
GENERAL EMPLOYEES INCLUDING OCEAN RESCUE,  
POLICE OFFICERS AND FIREFIGHTERS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013  
**REVISED**

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

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March 7, 2014

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

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

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

The signing actuaries are independent of the plan sponsor.

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

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

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

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

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

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

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

Board of Trustees

March 7, 2014

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

Brad Lee Armstrong and Randall J. Dziubek are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA



Randall J. Dziubek, ASA, EA, MAAA

BLA/RJD:bd

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## **EXECUTIVE SUMMARY**

COMBINED VALUATION SUMMARY, OBSERVATIONS,  
RECOMMENDATIONS AND CERTIFICATION

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# Summary of Valuation Results September 30, 2013

## FUNDING OBJECTIVE

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

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

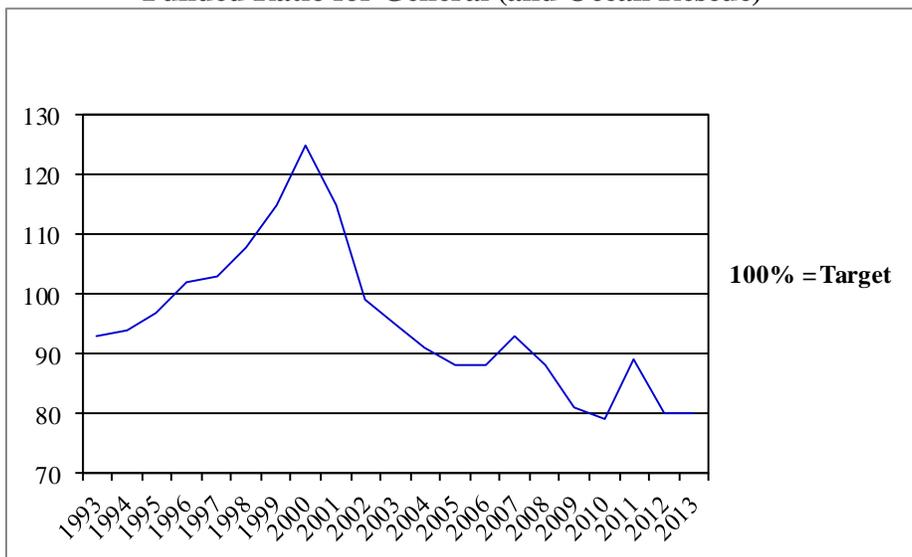
The annual actuarial valuation measures the relationship between Retirement System obligations and assets and determines the contribution rates for the ensuing year. The Retirement System is supported by member contributions, Town contributions, and investment income from Retirement System assets.

## VALUATION RESULTS - FUNDING PROGRESS INDICATORS

### General

The September 30, 2013 actuarial valuation indicates that the actuarial accrued liabilities of the General Retirement System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 80.4% funded by the Funding Value of Assets. This is an increase from last year's funded ratio of 79.8%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 84.9%. This is an increase from last year's ratio of 80.3%.

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

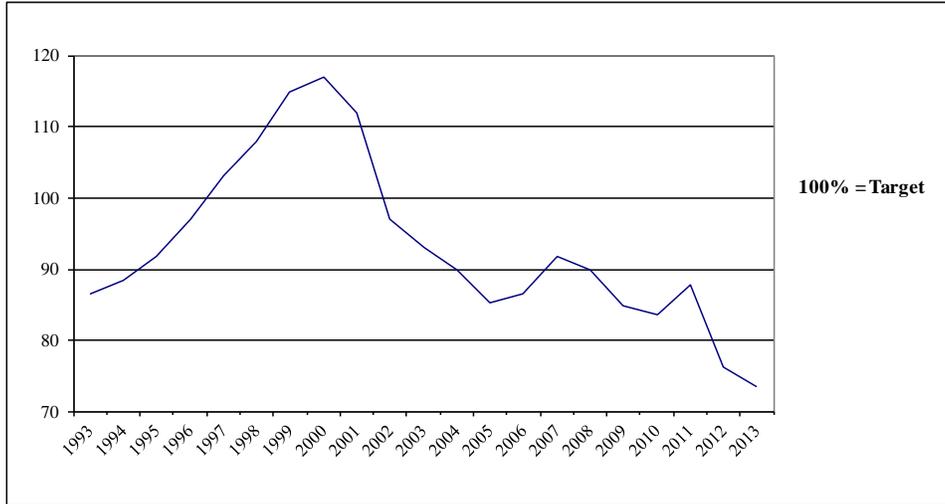


\* Years prior to 2000 include Public Safety.

## Police

The September 30, 2013 actuarial valuation indicates that the actuarial accrued liabilities of the Police Retirement System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 73.5% funded by the Funding Value of Assets. This is a decrease from last year's funded ratio of 76.2%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 75.1%. This is an increase from last year's 72.5%.

**Funded Ratio for Police\***

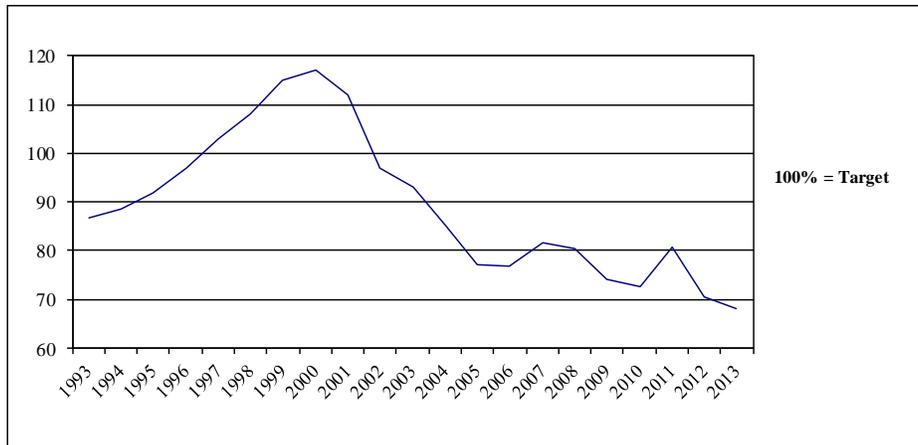


\* Years prior to 2004 include Fire and years prior to 2000 include General and Ocean Rescue.

## Fire

The September 30, 2013 actuarial valuation indicates that the actuarial accrued liabilities of the Fire Retirement and Benefit System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 68.1% funded by the Funding Value of Assets. This is an decrease from last year's funded ratio of 70.5%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 69.7%. This is an increase from last year's 67.5%.

**Funded Ratio for Fire\***



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

## VALUATION RESULTS - CONTRIBUTION REQUIREMENT

The percent of active member payroll contribution requirements for the 2014-2015 and 2013-2014 fiscal years are:

### General

	2014-2015			2013-2014		
	General	Ocean Rescue	Aggregate	General	Ocean Rescue	Aggregate
Member portion	2.95 %	4.16 %		3.10 %	4.24 %	
Town portion	18.39	71.93	19.49 %	18.15	68.04	19.16 %
Illustrative \$	\$1,839,317	\$151,266	\$1,990,583	\$1,850,688	\$143,700	\$1,994,388

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

### Police

	2014-2015	2013-2014
Member portion	5.01 %	5.01 %
Town portion	56.62	42.14
Illustrative \$	\$2,059,195	\$1,881,949

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

### Fire

	2014-2015	2013-2014
Member portion	4.87 %	4.83 %
Town portion	57.20	47.41
Illustrative \$	\$2,211,214	\$2,040,491

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

## VALUATION RESULTS - LAST YEAR'S EXPERIENCE INDICATORS

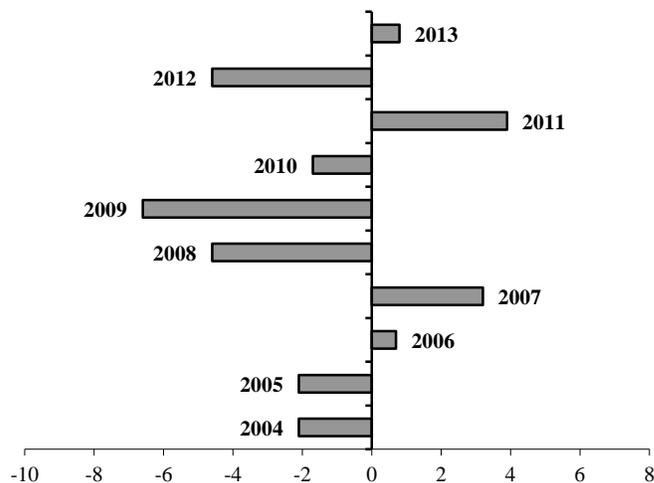
Although the Market Value returns were favorable during the last year, the Funding Value of Assets of the Retirement System increased less than projected by the long-term investment return assumption. Note that each year's deviation from assumed investment experience is spread over five years in equal dollar installments to reduce the effect of market volatility on contribution rates. More detail is provided in the respective Section A's of this report. The recognized return on the Funding Value of Assets was roughly 7.7% for General, 5.1% for Police and 5.6% for Fire, net of investment expenses. The projected return for the fiscal year ending September 30, 2013 was 7.5%.

The aggregate effect of overall System experience was a loss of \$3.6 million, caused mostly by lower than expected recognized investment return for Police and Fire. The impact on the Town's contribution amount for the fiscal year ending September 30, 2015 is an increase of approximately \$380,000. A portion of the losses were attributable to the volume of retirement activity that took place during the fiscal year producing higher liabilities than were projected based on valuation assumptions for average final salary. Losses were partially offset by gains due to lower than expected salary increases and higher than expected retiree mortality.

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

### General

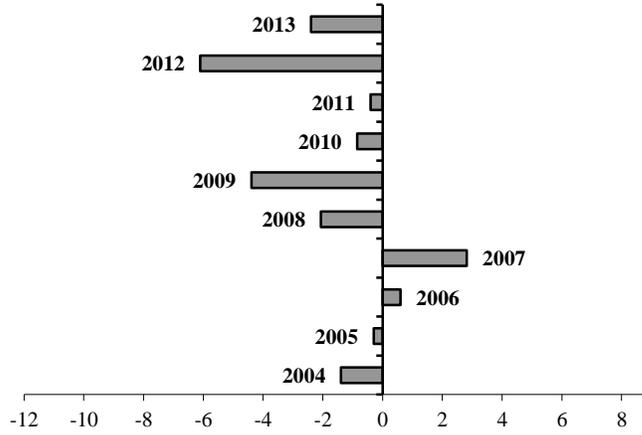
**Experience Gains and Losses\***  
(Amounts in Millions)



\* Years prior to 2000 include Police and Fire.

## Police

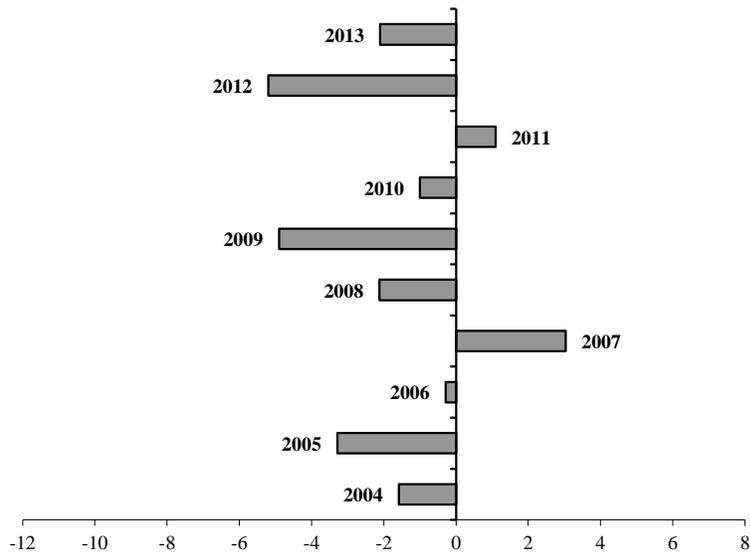
### Experience Gains and Losses\* (Amounts in Millions)



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

## Fire

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



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

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

Share Accounts totaling \$1,108,097 were excluded from assets and liabilities in this report. The Board should annually review and approve the issuance of individual Share Account statements to the extent any remain.

### **RESERVE FOR EMPLOYER CONTRIBUTION**

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

<u>Reserve for Employer Contributions</u>	
General	\$614,844
Ocean Rescue	0
Police Officers	748,403 *
Firefighters	902,992

\* *This amount also includes \$96,915 for additional premium tax revenue from Chapter 185 to active Police Officers which was paid from the Town's General Fund.*

### **BENEFIT CHANGES**

The Town Council adopted changes in benefits, allowing for members of the General or Ocean Rescue groups that did not attain normal retirement age as of May 1, 2012 and who enter the DROP after May 1, 2012 shall have no reduction in their pension benefits. Members that entered the DROP before May 1, 2012 and elected participation in the DROP shall have a 2% reduction in their pension benefits. This change increased the dollar contribution for the General and Ocean Rescue groups by \$4,000.

## RECOMMENDATIONS

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

### General

The balances in the Retirement Reserve Fund as of October 1, 2013 following the transfers should be as follows:

<u>Division</u>	<u>Retirement Reserve Fund</u>
General	\$61,504,151
Ocean Rescue	<u>3,786,755</u>
	\$65,290,906

### Police

The balance in the Retirement Reserve Fund as of October 1, 2013 following the transfer should be \$63,169,583.

### Fire

The balance in the Retirement Reserve Fund as of October 1, 2013 following the transfers should be \$65,590,236.

## NEXT YEAR'S EXPERIENCE INDICATORS

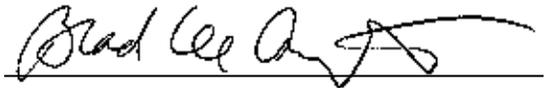
Due to the Boards' use of a five-year smoothed market asset valuation method, greater than expected market returns were only partially recognized, and combined with the scheduled phase-in of the prior four years unrecognized investment income. Subsequently, investment gains are scheduled for the next four years. This will reduce future computed employer contribution rates and improve the funded ratio in the next few reports in the absence of future losses. These unrecognized gains may also aid in offsetting moderate future losses in the next four years. For a better reflection of what to expect if all assumptions are met, we will be completing 10-year projections for the General, Police and Fire groups approximately two weeks after the Board accepts this report.

## CERTIFICATION

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

3/7/2014

Date



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

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**SECTION I**  
GENERAL REPORT

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**Report of SEPTEMBER 30, 2013 Actuarial Valuation**

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**SECTION A**

DETAILED VALUATION RESULTS

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**Contributions to Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2014  
to be Contributed During the Fiscal Year Beginning October 1, 2014**

<b>Contributions for</b>	<b>Contributions Expressed as Percent of UnDROPEd Active Member Payroll</b>	
	<b>General</b>	<b>Ocean Rescue</b>
Normal Cost		
Service pensions	5.20 %	8.44 %
Disability pensions	0.79	1.15
Death in service pensions	0.54	0.70
Deferred service pensions	0.30	0.93
Refunds of member contributions	0.51	0.46
Total Normal Cost	7.34	11.68
Unfunded Actuarial Accrued Liability *		
Retired members and beneficiaries	0.00	0.00
Active and vested terminated members	12.47	62.88
Total Unfunded Actuarial Accrued Liability	12.47	62.88
Administrative Expenses	1.53	1.53
Total Unadjusted Computed Contribution	21.34	76.09
Adjustments to Computed Contribution		
FS 112.64(5) Compliance	0.00	0.00
Full funding credit	0.00	0.00
Total adjustments	0.00	0.00
Total Adjusted Contribution Requirement	21.34	76.09
Member portion	2.95	4.16
Town portion	18.39	71.93

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

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

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

## Determining Dollar Contributions

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

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

<u>General</u>	<u>Ocean Rescue</u>	<u>Total</u>
\$1,839,317	\$151,266	\$1,990,583 *

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

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

## Recommended Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions	
		General	Ocean Rescue
84/85	1983	13.25 %	
86/87 (a)	1985	12.83	20.20 %
87/88	1986	12.65	18.96
88/89 (a)	1987	12.84	18.83
89/90	1988	13.50	20.31
90/91	1989	13.14	17.90
91/92 (a)	1990	15.42	20.12
92/93	1991	15.49	20.35
93/94	1992	15.41	20.50
94/95 (a)	1993	15.66	21.26
95/96	1994	15.76	19.90
96/97 (a)	1995	14.29	19.70
97/98	1996	12.87	18.82
98/99	1997	11.59	17.84
99/00 (a)	1998	12.08	16.50
00/01 (a)	1999	9.58	15.44
01/02	2000	6.14	10.81
02/03 (a)	2001	10.83	15.59
03/04	2002	15.85	16.97
04/05	2003	16.75	22.39
05/06	2004	17.66	24.39
06/07	2005	19.01	27.09
07/08	2006	19.15	27.15
08/09	2007	17.35	25.81
09/10	2008	18.71	31.42
10/11	2009	20.95	33.37
11/12	2010	23.34	41.71
12/13 (a)	2011	11.87	63.59
13/14 (a)	2012	18.15	68.04
<b>14/15 (b)</b>	<b>2013</b>	<b>18.35</b>	<b>71.93</b>
<b>14/15 (a)</b>	<b>2013</b>	<b>18.39</b>	<b>71.93</b>

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

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

## Funding Progress Indicators

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

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

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

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

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

Valuation Date September 30@	Indicator (1)		Indicator (2)		Indicator (3)		
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1989	\$ 1,425	\$ 38,999	\$ 40,732	96 %	\$ 1,733	\$ 10,597	16 %
1990 (a)	(839)	42,663	48,527	88	5,864	11,556	51
1991	(756)	46,830	53,410	88	6,580	12,287	54
1992	(530)	51,470	58,398	88	6,928	12,712	54
1993 (a)	2,632	57,089	61,692	93	4,603	12,443	37
1994	674	62,651	66,474	94	3,823	12,415	31
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000	3,385	49,616	39,588	125	(10,028)	8,113	--
2001 (a)	(949)	56,060	48,675	115	(7,385)	8,752	--
2002	(8,273)	52,316	53,071	99	755	9,380	8
2003	(1,193)	53,798	56,652	95	2,854	10,223	28
2004	(2,100)	56,298	61,842	91	5,544	10,877	51
2005	(2,111)	59,589	67,882	88	8,294	11,552	72
2006	673	64,608	73,054	88	8,446	12,422	68
2007	3,448	72,161	77,632	93	5,470	12,697	43
2008	(4,614)	73,732	83,758	88	10,025	12,687	79
2009	(6,743)	72,370	89,658	81	17,288	13,304	130
2010	(1,368)	73,809	93,147	79	19,338	11,580	167
2011 (a)	3,882	74,247	82,974	89	8,728	10,926	80
2012 (a)	5,744	72,393	90,681	80	18,289	9,884	185
<b>2013</b>	<b>871</b>	<b>73,853</b>	<b>91,809</b>	<b>80</b>	<b>17,956</b>	<b>9,698</b>	<b>185</b>
<b>2013 (a)</b>	<b>871</b>	<b>73,853</b>	<b>91,884</b>	<b>80</b>	<b>18,031</b>	<b>9,698</b>	<b>186</b>

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

# GASB Statement No. 25 basis.

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

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

## Experience Gain/(Loss) Year Ended September 30, 2013

	Division	
	General	Ocean Rescue
<b>DERIVATION</b>		
(1) UAAL at start of year	\$16,520,218	\$1,768,406
(2) Employer normal cost for year	593,669	17,555
(3) Employer contributions	1,289,405	125,294
(4) Interest accrued: .075 x [(1) + 1/2 ((2)-(3))]	1,212,926	128,590
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	17,037,408	1,789,257
(6) Effect of assumption/method changes	75,660	0
(7) Effect of benefit changes	0	0
(8) Expected UAAL after changes	17,113,068	1,789,257
(9) Actual UAAL	16,216,580	1,814,655
(10) Gain/(loss): (9) - (8)	896,488	(25,398)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

<u>Year Ended September 30:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Funding Value Beginning of Year	\$74,246,569	\$72,392,627				
B. Market Value End of Year	72,778,562	77,995,357				
C. Market Value Beginning of Year	64,715,832	72,778,562				
D. Non-Investment Net Cash Flow: (EE+ER conts.) - (Refunds+Benefits+SPD+Adm.Exp.)	(3,250,809)	(3,957,533)				
	8.00%	7.50%				
E. Investment Income						
E1. Market Total: B - C - D	11,313,539	9,174,328				
E2. Amount for Immediate Recognition at 7.5%	5,809,693	5,281,040				
E3. Amount for Phased-In Recognition: E1-E2	5,503,846	3,893,288				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	1,100,769	778,658				
F2. First Prior Year	(1,121,458)	1,100,769	\$ 778,658			
F3. Second Prior Year	(31,736)	(1,121,458)	1,100,769	\$ 778,658		
F4. Third Prior Year	(589,290)	(31,736)	(1,121,458)	1,100,769	\$ 778,658	
F5. Fourth Prior Year	(3,771,111)	(589,293)	(31,737)	(1,121,460)	1,100,770	\$ 778,656
F6. Adjustment to Recognize 20% Corridor	0	0	0	0	0	0
F7. Total Recognized Investment Gain/(Loss)	(4,412,826)	136,940	726,232	757,967	1,879,428	778,656
G. Funding Value End of Year: A + D + E2 + F7	72,392,627	73,853,074				
H. Difference between Market & Funding Value	385,935	4,142,283				
I. Recognized Rate of Return	1.92%	7.69%				
J. Recognized Rate of Investment Expenses	0.42%	0.35%				
K. Ratio of Funding Value to Market Value	99.5%	94.7%				

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

## Unfunded Actuarial Accrued Liability as of September 30

	2013		2012	
	General	Ocean Rescue	General	Ocean Rescue
A. Actuarial present value of future benefits	\$92,942,588	\$5,245,437	\$92,222,181	\$5,145,961
B. Actuarial present value of future normal costs	6,134,237	169,479	6,499,992	186,899
C. Actuarial accrued liability	86,808,351	5,075,958	85,722,189	4,959,062
D. Actuarial value of assets	70,591,771	3,261,303	69,201,971	3,190,656
E. Unfunded actuarial accrued liability	16,216,580	1,814,655	16,520,218	1,768,406
F. Funded ratio	81.3%	64.2%	80.7%	64.3%

## Sources and Financing of Unfunded Actuarial Accrued Liability

### GENERAL

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	21	19		\$ 17,635,901	13.541298	\$ 1,302,379	13.48 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	27	\$ 1,295,349	1,316,075	16.898602	77,881	0.81	0.00
2011	30	28	(4,007,514)	(3,987,562)	17.251100	(231,148)	(2.39)	0.00
2012	30	29	4,290,077	4,359,147	17.590482	247,813	2.56	0.00
2013	30	30	(896,488)	(896,488)	17.917236	(50,035)	(0.52)	0.00
<b>Benefit Changes</b>								
2010	30	27	(4,737,059)	(4,812,855)	16.898602	(284,808)	(2.95)	0.00
2013	30	30	75,660	75,660	17.917236	4,223	0.04	0.00
<b>Assumption/Method Changes</b>								
2010	30	27	(1,756,913)	(1,785,025)	16.898602	(105,632)	(1.09)	0.00
2011	30	28	(112,399)	(111,840)	17.251100	(6,483)	(0.07)	0.00
2012	30	29	4,353,476	4,423,567	17.590482	251,475	2.60	0.00
<b>Totals</b>				<b>\$ 16,216,580</b>		<b>\$ 1,205,665</b>	<b>12.47 %</b>	<b>0.00 %</b>

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

## Sources and Financing of Unfunded Actuarial Accrued Liability

### OCEAN RESCUE

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	20	18		\$ 1,257,374	13.045428	\$ 96,384	47.44 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	27	\$ 72,569	76,851	16.898602	4,548	2.24	0.00
2011	30	28	125,711	130,263	17.251100	7,551	3.72	0.00
2012	30	29	291,267	295,956	17.590482	16,825	8.28	0.00
2013	30	30	25,398	25,398	17.917236	1,418	0.70	0.00
<b>Benefit Changes</b>								
2010	30	27	(224,972)	(238,244)	16.898602	(14,098)	(6.94)	0.00
<b>Assumption/Method Changes</b>								
2010	30	27	(47,583)	(50,391)	16.898602	(2,982)	(1.47)	0.00
2011	30	28	65,059	65,298	17.251100	3,785	1.86	0.00
2012	30	29	248,155	252,150	17.590482	14,334	7.05	0.00
<b>Totals</b>				<b>\$ 1,814,655</b>		<b>\$ 127,765</b>	<b>62.88 %</b>	<b>0.00 %</b>

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

## Actuarial Balance Sheet - September 30, 2013

### Present Resources and Expected Future Resources

	General	Ocean Rescue
A. Funding Value of System Assets:		
1. Net assets from System financial statements (market value)	\$ 74,551,134	\$3,444,223
2. Funding value adjustment	(3,959,363)	(182,920)
3. Funding value of assets	70,591,771	3,261,303
B. Actuarial Present Value of Expected Future Employer Contributions:		
1. For normal costs	3,440,061	93,180
2. For unfunded actuarial accrued liability	16,216,580	1,814,655
3. Totals	19,656,641	1,907,835
C. Actuarial Present Value of Expected Future Member Contributions	2,694,176	76,299
D. Total Present and Expected Future Resources	\$92,942,588	\$5,245,437

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

A. To Retirants and Beneficiaries	\$ 61,504,151	\$ 3,786,755
B. To Vested Terminated Members	2,119,876	0
C. To Present Active Members:		
1. Allocated to service rendered prior to valuation date	22,569,480	1,289,203
2. Allocated to service likely to be rendered after valuation date	6,134,237	169,479
3. Totals	28,703,717	1,458,682
D. Reserve for Employer Contributions	614,844	0
E. Total Actuarial Present Value of Expected Future Benefit Payments	\$92,942,588	\$5,245,437

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## **SECTION B**

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

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## **Summary of Benefit Provisions (September 30, 2013)**

### **NORMAL RETIREMENT:**

#### **Eligibility**

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

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

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

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

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

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

#### **Pension Amount**

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

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

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

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

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

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

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

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

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

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

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

## **DROP RETIREMENT:**

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

**Pension Amount** – Members that entered the DROP before May 1, 2012: 98% of the member's accrued benefit at the date of election to participate in DROP.

Members that entered the DROP after May 1, 2012: 100% of the member's accrued benefit at the date of election to participate in DROP.

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

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

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

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

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

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

## **DUTY DISABILITY RETIREMENT:**

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

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

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

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

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

## **DUTY DEATH BEFORE RETIREMENT:**

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

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

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

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

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

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

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

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

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

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

Reduced optional forms of payment are available.

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

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

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

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

None.

**MEMBER CONTRIBUTIONS:**

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

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

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

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

## Summary of Assets (Market Value)

	September 30, 2013*	September 30, 2012
Cash		\$ 732,055
Accrued interest and dividends		6,281
Other short-term		0
Bonds - government		0
- corporate		0
- mutual funds		21,415,919
- mortgage		0
Stocks - common		11,003,536
- preferred		0
Stock mutual funds		32,791,919
Accounts payable		(117,511)
Other		6,946,363
<b>Total Assets</b>	<b>\$77,995,357</b>	<b>\$72,778,562</b>

\* *These figures are not available for the September 30, 2013 valuation.*

# Accounting Information Utilized for Valuation

## REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>September 30, 2012</u>
<b>Revenues:</b>		
a. Member contributions:		
- General	\$ 298,561	\$ 1,228,879
- Ocean Rescue	8,942	12,447
b. Town contributions:		
- General	1,289,405	769,531
- Ocean Rescue	125,294	41,908
c. Investment income:		
1. Interest	498,348	813
2. Dividends	0	93,242
3. Unrealized Gain/(Loss)	8,935,778	10,604,230
4. Gain or (loss) on sales	0	1,521,986
5. Other	1,964	11,121
d. Total revenues	<u>11,158,292</u>	<u>14,284,157</u>
<b>Expenditures:</b>		
a. Refunds of member contributions:		
- General	2,117	59,508
- Ocean Rescue	0	3,759
b. Benefits paid:		
- General	5,225,083	4,776,029
- Ocean Rescue	303,832	311,897
c. Administrative expenses	148,703	152,381
d. Investment expenses	248,165	303,010
e. Other	0	0
f. Total expenditures	<u>5,927,900</u>	<u>5,606,584</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u><u>\$5,230,392</u></u>	<u><u>\$8,677,573</u></u>

# Accounting Information Submitted for Valuation

## RESERVE ACCOUNTS\*

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Employees' contributions (Members' Saving Fund)#:		
General		\$ 7,625,599
Ocean Rescue		221,567
Totals		7,847,166
Employer contributions (Employer Reserve Fund)#:		
General		8,912,208
Ocean Rescue		(718,250)
Totals		8,193,958
Retired members and beneficiaries (Retirement Reserve Fund)#:		
General		52,362,587
Ocean Rescue		3,704,349
Totals		56,066,936
Inactive members (Deferred Retirement Fund)#:		
General		670,502
Ocean Rescue		0
Totals		670,502
Total		
General	74,551,134	69,570,896
Ocean Rescue	3,444,223	3,207,666
Totals	\$ 77,995,357	\$ 72,778,562

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

# These figures are not available for the September 30, 2013 valuation.

# Retired Member and Beneficiary Data

## HISTORICAL SCHEDULE\*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1975	13	7	6	\$ 57,636	81	\$ 260,062	\$ 3,211
1980	12	3	9	103,790	119	687,545	5,778
1984	6	4	2	32,936	131	937,207	7,154
1985	15	5	10	166,787	141	1,103,994	7,830
1986	10	3	7	119,451	148	1,223,445	8,267
1987	7	2	5	72,350	153	1,295,794	8,469
1988	13	8	5	92,514	158	1,388,308	8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	9	126 #	(117)	(2,583,596)	112	1,571,539	14,032
2001	11	5	6	445,871	118	2,017,410	17,097
2002	15	12	3	175,152	121	2,192,562	18,120
2003	5	10	(5)	(18,398)	116	2,174,164	18,743
2004	5	4	1	140,941	117	2,315,105	19,787
2005	8	3	5	261,811	122	2,576,916	21,122
2006	3	3	0	72,714	122	2,649,630	21,718
2007	16	4	12	375,327	134	3,024,957	22,574
2008	16	4	12	452,964	146	3,477,921	23,821
2009	12	6	6	373,718	152	3,851,639	25,340
2010	17	3	14	613,661	166	4,465,300	26,899
2011	15	3	12	450,020	178	4,915,320	27,614
2012	19	8	11	415,632	189	5,330,952	28,206
<b>2013</b>	<b>13</b>	<b>7</b>	<b>6</b>	<b>357,390</b>	<b>195</b>	<b>5,688,342</b>	<b>29,171</b>

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

# Includes 122 Public Safety members.

## Retired Members and Beneficiaries

### Historical Comparison

Valuation Date	% Incr. in Annual Pensions**	No. of Active Per Retired		Pension Payroll as % of Active Payroll#	
		General	Ocean Rescue	General	Ocean Rescue
9/30/1975 *	17.9 %	3.7		6.7 %	
9/30/1980 *	21.6	2.5		13.0	
9/30/1984	3.6	2.6		11.4	
9/30/1985	17.8	2.4		13.2	
9/30/1986	10.8	2.2		13.8	
9/30/1987	5.9	2.2		14.0	
9/30/1988	7.1	2.1		14.3	
9/30/1989	10.3	2.5		11.4	
9/30/1990	13.5	2.5		10.8	
9/30/1991	8.4	2.6	3.3	10.1	25.4 %
9/30/1992	15.5	2.8	3.0	9.8	25.0
9/30/1993	7.3	2.7	3.3	10.5	23.6
9/30/1994	18.9	2.4	3.0	11.9	24.7
9/30/1995	7.2	2.3	3.3	13.4	22.5
9/30/1996	10.9	2.2	3.0	15.6	22.8
9/30/1997	3.9	2.2	3.3	15.2	20.4
9/30/1998	8.0	2.1	3.3	16.4	19.8
9/30/1999	12.3	2.0	3.3	17.1	19.1
9/30/2000	(62.2)	1.9	3.3	19.4	18.3
9/30/2001	28.4	1.8	3.3	23.2	20.3
9/30/2002	8.7	1.8	1.4	22.9	40.1
9/30/2003	-0.8	1.9	1.8	20.7	38.5
9/30/2004	6.5	1.9	1.8	20.8	36.5
9/30/2005	11.3	1.8	1.8	21.9	32.8
9/30/2006	2.8	1.8	1.8	21.0	31.4
9/30/2007	14.2	1.7	1.1	22.9	57.0
9/30/2008	15.0	1.5	0.9	26.2	74.9
9/30/2009	10.7	1.4	1.1	28.0	59.0
9/30/2010	15.9	1.1	0.8	37.2	86.8
9/30/2011	10.1	1.0	0.4	42.9	155.8
9/30/2012	8.5	0.8	0.4	51.9	151.0
<b>9/30/2013</b>	<b>6.7</b>	<b>0.8</b>	<b>0.4</b>	<b>56.7</b>	<b>152.9</b>

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

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

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

**Retired Member and Beneficiary Data as of September 30, 2013  
by Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>General</u>		<u>Ocean Rescue</u>	
	<u>No.</u>	<u>Annual Pensions</u>	<u>No.</u>	<u>Annual Pensions</u>
Age & Service Benefits				
Straight Life	51	\$ 1,325,809	1	\$ 49,035
Joint and Survivor Benefits - Regular	68	2,476,076	5	156,597
Surviving Beneficiaries	19	295,362	0	0
DROP members	32	884,231	2	69,296
Total Age and Service Benefits	170	4,981,478	8	274,928
Duty Disability Benefits				
Straight Life	1	10,093	0	0
Surviving Beneficiaries	1	5,753	0	0
Total Duty Disability Benefits	2	15,846	0	0
Non-Duty Disability Benefits				
Straight Life	2	140,801	1	30,430
Joint and Survivor Benefits	3	133,194	0	0
Surviving Beneficiaries	5	59,986	0	0
Total Non-Duty Disability Benefits	10	333,981	1	30,430
Death-in-Service Benefits				
Non-Duty Spouse	4	51,680	0	0
Total Death-in-Service Benefits	4	51,680	0	0
<b>Totals</b>	<b>186</b>	<b>\$ 5,382,985</b>	<b>9</b>	<b>\$ 305,358</b>

**Retired Member and Beneficiary Data as of September 30, 2013  
(Includes DROP Participants)  
Tabulated by Attained Age**

<u>Attained Age</u>	<u>General</u>		<u>Ocean Rescue</u>	
	<u>No.</u>	<u>Annual Pensions</u>	<u>No.</u>	<u>Annual Pensions</u>
Under 40	1	\$ 7,594		
45 - 49	1	14,006		
50 - 54	9	345,797	4	\$144,581
55 - 59	31	1,224,412	2	66,940
60 - 64	41	1,194,265	1	30,430
65 - 69	33	1,166,060		
70 - 74	27	598,367		
75 - 79	19	469,486	2	63,406
80 - 84	12	246,973		
85 - 89	6	47,907		
90 - 94	5	56,342		
95 - 99	1	11,776		
<b>Totals</b>	<b>186</b>	<b>\$5,382,985</b>	<b>9</b>	<b>\$305,357</b>

	<u>General</u>	<u>Ocean Rescue</u>
Average Age at Retirement:	58.3 years	49.0 years
Average Age Now:	68.3	60.5

**Vested Terminated Members as of September 30, 2013**  
**Annual Estimated Pensions**  
**Tabulated by Attained Age**

Attained Age	No.	General Annual Estimated Pensions
31	1	\$ 4,064
38	1	15,442
42	1	18,159
43	1	26,390
46	1	6,552
47	1	4,586
49	1	1,200
51	1	13,397
52	1	1,277
53	4	116,131
54	1	14,626
<b>Totals</b>	<b>14</b>	<b>\$221,824</b>

## General

### Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested Terminated Members	Valuation Payroll	Average		
				Age	Service	Pay
1994	200	2	\$ 6,484,548	43.8 yrs.	9.3 yrs.	\$ 32,423
1995	202	2	6,521,164	43.0	8.8	32,283
1996	205	2	6,624,917	42.8	8.2	32,317
1997	210	2	7,128,895	42.7	8.1	33,947
1998	214	2	7,528,503	42.9	8.1	35,180
1999	204	5	7,582,477	43.7	8.6	37,169
2000	202	6	7,760,543	44.0	8.5	38,419
2001	208	6	8,371,487	43.5	8.4	40,248
2002	206	5	9,106,367	43.9	8.4	44,206
2003	212	6	9,883,393	44.4	9.0	46,620
2004	211	7	10,517,577	44.9	9.5	49,846
2005	210	8	11,147,262	45.7	9.5	53,082
2006	216	7	11,994,303	46.3	9.9	55,529
2007	214	6	12,336,518	46.5	10.1	57,647
2008	202	7	12,366,080	46.2	10.4	61,218
2009	203	8	12,893,270	46.3	10.2	63,514
2010	175	9	11,256,751	47.1	10.7	64,324
2011	164	11	10,721,241	47.4	10.9	65,373
2012	151	13	9,683,803	46.8	11.4	64,131
<b>2013</b>	<b>156</b>	<b>14</b>	<b>9,498,699</b>	<b>46.0</b>	<b>10.7</b>	<b>60,889</b>

### Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Normal/Early Retirement				Disability Retirement	Died-in- Service	Withdrawal		Active Members End of Year		
		A						A	E		A	E
		DROP	Other	Totals	E							
2004	10	3	1	4	5.4	1	0.3	0.3	6	14.2	211	
2005	25	4	1	5	6.0	1	0.2	0.3	20	11.8	210	
2006	20	0	2	2	6.4		0.3	0.3	12	15.5	216	
2007	16	3	6	9	7.4		0.2	1	0.4	8	14.8	214
2008	9	1	12	13	8.0		0.2		0.4	8	13.9	202
2009	17	3	6	9	6.4		0.2		0.3	7	11.7	203
2010	6	13	1	14	7.3	1	0.2		0.4	19	12.1	175
2011	7	7	3	10	6.4	1	0.2		0.3	7	7.2	164
2012	8	13	5	18	19.9		0.5		0.2	3	6.4	151
<b>2013</b>	<b>17</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>10.6</b>	<b>1</b>	<b>0.5</b>		<b>0.3</b>	<b>2</b>	<b>6.9</b>	<b>156</b>

A represents actual number.

E represents expected number.

## Ocean Rescue

### Active and Vested Terminated Members Included in Valuation

Valuation September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1994	9	0		\$246,947	34.0 yrs.	7.1 yrs.	\$ 27,439
1995	10	0		273,547	33.7	7.4	27,355
1996	9	0		273,443	36.0	9.1	30,383
1997	10	0		307,049	35.5	9.2	30,705
1998	10	0		320,414	36.5	10.2	32,041
1999	10	0		335,155	37.5	11.2	33,516
2000	10	0		352,879	38.5	12.2	35,288
2001	10	0		380,672	38.8	12.7	38,067
2002	7	0		273,922	40.0	14.0	39,132
2003	9	0		339,703	39.0	11.9	37,745
2004	9	0		359,342	40.0	12.9	39,927
2005	9	0		404,910	41.0	13.9	44,990
2006	9	0		427,989	42.0	14.9	47,554
2007	8	0		360,242	39.9	12.5	45,030
2008	7	0		321,053	39.8	12.5	45,865
2009	9	0		410,292	37.7	10.6	45,588
2010	7	0		323,298	38.0	10.8	46,185
2011	4	0		204,927	41.3	14.6	51,232
2012	4	0		200,577	42.4	15.6	50,144
<b>2013</b>	<b>4</b>	<b>0</b>		<b>199,719</b>	<b>43.4</b>	<b>16.6</b>	<b>49,930</b>

### NUMBER ADDED TO AND REMOVED FROM ACTIVE MEMBERSHIP

Year Ended Sept. 30	Number Added During Year	Retirement				Disability		Died-in-		Withdrawal		Active Members End of Year
		A			E	Retirement		Service				
		DROP	Other	Totals		A	E	A	E	A	E	
2004					0.5						0.3	9
2005					0.5						0.2	9
2006					0.5		0.1		0.2		0.2	9
2007	1	2		2	1.0		0		0		0.2	8
2008			1	1	0.5		0.0		0.0		0.2	7
2009	2			0	0.3		0.0		0.0		0.2	9
2010		1		1	0.3		0.0		0.0	1	0.4	7
2011		1		1	0.3		0.0		0.0	2	0.3	4
2012				0	0.0		0.0		0.0		0.1	4
<b>2013</b>				<b>0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.1</b>	<b>4</b>

A represents actual number.  
E represents expected number.

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

Near Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	\$ 28,477
25-29	6	4						10	374,484
30-34	3	5	1					9	455,218
35-39	7	3	6	5				21	1,079,626
40-44	8	5	6	4	1			24	1,538,328
45-49	5	4	7	7	2	2		27	1,672,264
50-54	7	10	10	4	4	4		39	2,586,118
55-59	3	2	3	5	2			15	1,080,017
60-64	2	2	3	2				9	595,302
70				1				1	88,865
<b>Totals</b>	<b>42</b>	<b>35</b>	<b>36</b>	<b>28</b>	<b>9</b>	<b>6</b>		<b>156</b>	<b>\$9,498,699</b>

## Ocean Rescue

### By Near Age and Years of Service

Near Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
35-39			1					1	\$ 44,144
40-44					1			1	63,261
45-49			1		1			2	92,314
<b>Totals</b>			2		2			4	<b>\$199,719</b>

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## **SECTION C**

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

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

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

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 56,298	\$61,842	91.0	\$ 5,544	\$ 10,877	51.0 %
2005	59,589	67,882	87.8	8,293	11,552	71.8
2006	64,608	73,054	88.4	8,446	12,422	68.0
2007	72,161	77,632	93.0	5,471	12,697	43.1
2008	73,732	83,758	88.0	10,026	12,687	79.0
2009	72,370	89,658	80.7	17,288	13,304	129.9
2010	73,809	93,147	79.2	19,338	11,580	167.0
2011 (a)	74,247	82,974	89.5	8,727	10,926	79.9
2012 (a)	72,393	90,681	79.8	18,288	9,884	185.0
<b>2013</b>	<b>73,853</b>	<b>91,809</b>	<b>80.4</b>	<b>17,956</b>	<b>9,698</b>	<b>185.2</b>
<b>2013 (a)</b>	<b>73,853</b>	<b>91,884</b>	<b>80.4</b>	<b>18,031</b>	<b>9,698</b>	<b>185.9</b>

**Schedule of Employer Contributions**

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll#	Actual Dollar Contribution#	Percentage Contributed#
2004	15.88	\$ 1,614	\$ 1,523	100 %
2005	16.94	1,876	1,784	100
2006	17.86	2,105	2,008	100
2007	19.29	2,415	2,417	100
2008	19.43	2,615	2,615	100
2009	17.59	2,420	2,420	100
2010	19.03	2,616	2,616	100
2011	21.33	3,075	3,075	100
2012	7.72 (a)	955	811	100
2013	12.84 (a)	1,349	1,415	100
2014	19.16 (a)	1,994		
<b>2015</b>	<b>19.45</b>	<b>1,987</b>		
<b>2015</b>	<b>19.49 (a)</b>	<b>1,991</b>		

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

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

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

## GASB Statement No. 25 Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2013
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization periods*	18-30 years
Asset valuation method	5-year smoothed market
<b>Actuarial assumptions</b>	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.7%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2013, the date of the latest actuarial valuation:

	<u>General</u>	<u>Ocean Rescue</u>	<u>Totals</u>
Retirees and beneficiaries receiving benefits	186	9	195
Terminated plan members entitled to but not yet receiving benefits	14	0	14
Active plan members			
Vested	79	4	83
Non-vested	77	0	77
<b>Totals</b>	<b>356</b>	<b>13</b>	<b>369</b>

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

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**SECTION D**  
STATE REQUIRED DATA

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## Actuarial Present Value of Future Benefits

	September 30, 2013				September 30, 2012	
	Benefit Change		Before		General	Ocean Rescue
	General	Ocean Rescue	General	Ocean Rescue		
(i) Actuarial present value of active member benefits:						
Service retirement	\$ 26,212	\$ 1,382	\$ 26,212	\$ 1,382	\$ 28,061	\$ 1,245
Vested termination benefits	326	5	326	5	301	8
Disability retirement	1,169	40	1,169	40	1,152	44
Survivor benefits (pre-retirement)	939	32	939	32	991	33
Termination benefits - refunds	58	0	58	0	41	0
Totals	28,704	1,459	28,704	1,459	30,546	1,331
(ii) Actuarial present value of terminated vested members	2,120	0	2,120	0	2,228	0
(iii) Actuarial present value of retired members & beneficiaries	61,504	3,787	61,428	3,787	58,833	3,815
(iv) Reserves	615	0	615	0	615	0
(v) Total actuarial present value of future benefit payments	92,943	5,245	92,867	5,245	92,222	5,146
(vi) Present value of active member future payroll	97,235	2,118	97,235	2,118	100,021	2,319
(vii) Present value of future active member contributions	2,694	76	2,694	76	2,867	84
(viii) Active member accumulated contributions	6,432	231	6,432	231	6,814	218
(ix) Actuarial accrued liability using projected unit credit funding method	68,222	4,382	68,146	4,382	66,702	4,302

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

	September 30, 2013				September 30, 2012	
	Benefit Change		Before		General	O.R.
	General	O.R.	General	O.R.		
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)						
(i) Vested accrued benefits						
Retired members and beneficiaries	\$ 61,504	\$ 3,787	\$ 61,428	\$ 3,787	\$ 58,833	\$ 3,815
Terminated members	2,120	-	2,120	-	2,228	-
Active members (includes non-forfeitable accum. member contributions)	19,846	1,239	19,846	1,239	20,982	1,054
Total	83,470	5,026	83,394	5,026	82,043	4,869
(ii) Non-vested accrued benefits	7,813	-	7,813	-	7,938	28
(iii) Total actuarial p.v. of accrued benefits	91,283	5,026	91,207	5,026	89,981	4,897
(iv) Actuarial p.v. of accrued benefits at begin. of year	89,981	4,897	89,981	4,897	75,067	4,350
(v) Changes attributable to:						
Amendments	76	-	-	-	-	-
Assumption change	-	-	-	-	4,111	252
Operation of decrements	6,451	433	6,451	433	15,579	607
Benefit payments	(5,225)	(304)	(5,225)	(304)	(4,776)	(312)
Expenses	-	-	-	-	-	-
(vi) Net change	1,302	129	1,226	129	14,914	547
(vii) Actuarial p.v. of accr. benefits at end of year	91,283	5,026	91,207	5,026	89,981	4,897
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate						
(i) Vested	\$ 81,308	\$ 4,892	\$ 81,235	\$ 4,892	\$ 79,871	\$ 4,738
(ii) Non-Vested	7,369	0	7,369	0	7,492	27
(iii) Total	88,678	4,892	88,604	4,892	87,363	4,765
(iv) Market Value of Assets (MVA)	74,551	3,444	74,551	3,444	69,571	3,208
(v) Funded Ratio Using FRS Interest Rate and MVA	84.07%	70.41%	84.14%	70.41%	79.63%	67.32%

## Reconciliation of Membership Data

<b>A. Active Members</b>	<b>General</b>	<b>Ocean Rescue</b>
1. Number Included in Last Valuation	151	4
2. New Members Included in Current Valuation	17	
3. Non-Vested Employment Terminations		
4. Vested Employment Terminations	(2)	
5. Service Retirements	(2)	
6. DROP Retirements	(7)	
7. Disability Retirements	(1)	
8. Deaths		
9. Other (Transfer)		
10. Number Included in This Valuation	156	4
<b>B. Terminated Vested Members</b>		
1. Number Included in Last Valuation	13	0
2. Additions from Active Members	2	
3. Lump Sum Payments		
4. Payments Commenced	(1)	
5. Deaths		
6. Other		
7. Number Included in This Valuation	14	0
<b>C. Service Retirees, Disability Retirees and Beneficiaries</b>		
1. Number Included in Last Valuation	180	9
2. Additions from Active Members	10	
3. Additions from Terminated Vested Members	1	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(7)	
5. Added (Beneficiaries/Data Corrections)	2	
6. Number Included in this Valuation	186	9

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2013**

**GENERAL**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
55	6	1	
56	3	1	
58	4	2	
59	2	1	
60	3	1	
61	3	1	
62	1		
67	2		2
70	1		
<b>Totals</b>	<b>25</b>	<b>7</b>	<b>2</b>

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2013**

**OCEAN RESCUE**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
44	2		
<b>Totals</b>	<b>2</b>	<b>0</b>	<b>0</b>

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**SECTION II**  
POLICE OFFICERS REPORT

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**OUTLINE OF CONTENTS**  
**Report of September 30, 2013 Actuarial Valuation**

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

### **DETAILED VALUATION RESULTS**

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**Contributions To Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2014  
To be Contributed During the Fiscal Year Beginning October 1, 2014**

Contributions for	Contributions Expressed as Percents of UnDROPed Active Member Payroll
<b>Normal Cost</b>	
Service pensions	5.49 %
Disability pensions	1.59
Death in service pensions	0.79
Deferred service pensions	0.53
Refunds of member contributions	<u>0.47</u>
Total Normal Cost	8.87
<b>Unfunded Actuarial Accrued Liability (1)</b>	
Retired members and beneficiaries	0.00
Active and vested terminated members	<u>49.01</u>
Total Unfunded Actuarial Accrued Liability	49.01
Administrative Expenses	3.75
Total Unadjusted Computed Contribution	61.63
<b>Adjustments to Computed Contribution</b>	
FS 112.64(5) Compliance	0.00
Town funding for additional premium tax revenue shortfall in prior fiscal year	0.00
Full funding credit	<u>0.00</u>
Total adjustments	0.00
<b>Total Adjusted Contribution Requirement</b>	<b>61.63</b>
Member portion	5.01
Town portion	56.62

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

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

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

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

	<u>Prior Year</u>	<u>Cumulative</u>
A. Additional premium tax revenues as of 9/30/12	\$118,579	
B. Chapter 185 receipts during fiscal year ending 9/30/13	0	\$3,032,132
C. Chapter 185 "frozen" receipts during fiscal year ending 9/30/13	0	2,315,446
D. Qualifying benefit improvements since Chapter 99-1 effective date	118,579	\$1,237,289
E. Additional premium tax revenues as of 9/30/2013 A + [ B - C - D ]	0	0

## Determining Dollar Contributions

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

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

<b>Total Public Contribution Requirement</b>	<b>\$2,059,195</b>
<b>Chapter 185 Premium "frozen"</b>	-
<b>Funding from Add. Premium Tax Revenue</b>	-
<b>Illustrative Base Town Contribution</b>	<b>\$2,059,195</b>

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

## Recommended and Actual Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions)
		% of Payroll Contributions*
85/86	1984	21.99 %
86/87 (a)	1985	22.23
87/88	1986	21.58
88/89 (a)	1987	23.35
89/90	1988	23.34
90/91	1989	22.56
91/92 (a)	1990	25.00
92/93	1991	24.98
93/94	1992	25.35
94/95 (a)	1993	27.74
95/96	1994	28.24
96/97 (a)	1995	30.60
97/98	1996	29.03
98/99	1997	28.91
99/00 (a)	1998	25.97
00/01 (a)	1999	22.37
01/02 (a)	2000	12.71
02/03 (a)	2001	19.34
03/04	2002	30.74
04/05	2003	33.09
05/06 (a)	2004	35.36
06/07 (a)	2005	42.25
07/08	2006	41.47
08/09	2007	40.32
09/10	2008	43.30
10/11	2009	45.56
11/12	2010	19.98
12/13 (a)	2011	25.04
13/14 (a)	2012	42.14
<b>14/15</b>	<b>2013</b>	<b>56.62</b>

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

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

## Funding Progress Indicators

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

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

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

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

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

Valuation Date September 30	Indicator (1)		Indicator (2)		Indicator (3)		
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1994	\$ 674	\$ 62,651	\$66,474	94	\$ 3,823	\$ 12,415	31 %
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000 (a)@	6,214	81,196	69,425	117	(11,771)	6,230	--
2001 (a)@	(3,133)	91,992	82,361	112	(9,631)	7,064	--
2002	(11,845)	86,446	88,991	97	2,545	7,769	33
2003	(3,088)	88,091	94,991	93	6,900	8,558	81
2004 (a)&	(1,390)	46,386	51,605	90	5,219	5,070	103
2005 (a)	(330)	48,656	56,996	85	8,340	5,348	156
2006	631	52,614	60,835	86	8,220	5,769	142
2007	2,937	58,486	63,742	92	5,256	5,334	99
2008	(2,075)	61,668	68,525	90	6,857	5,309	129
2009	(4,392)	63,000	74,257	85	11,257	6,187	182
2010	(876)	64,079	76,694	84	12,614	6,043	209
2011 (a)	(420)	63,554	72,421	88	8,866	5,222	170
2012 (a)	(6,094)	61,028	80,129	76	19,101	4,241	450
<b>2013</b>	<b>(2,357)</b>	<b>60,553</b>	<b>82,416</b>	<b>73</b>	<b>21,862</b>	<b>3,454</b>	<b>633</b>

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

# GASB Statement No. 25 basis.

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

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

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

**Experience Gain/(Loss)  
Year Ended September 30, 2013**

**DERIVATION**

(1) UAAL at start of year	\$19,100,682
(2) Employer Normal cost for year	265,955
(3) Employer contributions	1,257,107
(4) Interest accrued .075 x [(1) + 1/2 ((2)-(3))]	1,395,383
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	19,504,913
(6) Effect of assumption/method changes	0
(7) Effect of benefit changes	0
(8) Expected UAAL after changes	19,504,913
(9) Actual UAAL	21,862,203
(10) Gain/(loss) (8) - (9)	(2,357,290)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2012	2013	2014	2015	2016	2017
A. Funding Value Beginning of Year	\$ 63,554,283	\$ 61,028,427				
B. Market Value End of Year	58,114,391	61,920,948				
C. Market Value Beginning of Year	54,154,099	58,114,391				
D. Non-Investment Net Cash Flow	(3,083,100)	(3,508,405)				
E. Investment Income						
E1. Market Total: B - C - D	7,043,392	7,314,962				
E2. Amount for Immediate Recognition at 7.5%	4,961,019	4,445,567				
E3. Amount for Phased-In Recognition: E1 - E2	2,082,373	2,869,395				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	416,475	573,879				
F2. First Prior Year	(970,512)	416,475	\$ 573,879			
F3. Second Prior Year	(236,395)	(970,512)	416,475	\$ 573,879		
F4. Third Prior Year	(1,195,609)	(236,395)	(970,512)	416,475	\$ 573,879	
F5. Fourth Prior Year	(2,417,734)	(1,195,611)	(236,393)	(970,511)	416,473	\$ 573,879
F6. Adjustment to Recognize 20% Corridor	0	0				
F7. Total Recognized Investment Gain/(Loss)	(4,403,775)	(1,412,164)	(216,551)	19,843	990,352	573,879
G. Accelerated Recognition of Investment Income						
H. Funding Value End of Year: A + D + E2 + F7 Not to Exceed 120% of Market Value	61,028,427	60,553,425				
I. Difference between Market & Funding Value	(2,914,036)	1,367,523				
J. Recognized Rate of Return	0.90%	5.12%				
K. Recognized Rate of Investment Expenses	0.34%	0.33%				

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

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

	<u>2013</u>	<u>2012</u>
A. Actuarial present value of future benefits	\$85,539,650	\$84,197,218
B. Actuarial present value of future normal costs	3,124,022	4,068,109
C. Actuarial accrued liability	82,415,628	80,129,109
D. Actuarial value of assets	60,553,425	61,028,427
E. Unfunded actuarial accrued liability	21,862,203	19,100,682
F. Funded ratio	73.5%	76.2%

## Sources and Financing of Unfunded Actuarial Accrued Liability

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollars	Percent-of- Payroll	
<b>Initial Unfunded</b>								
2011	15	13		\$ 12,080,912	10.263366	\$ 1,177,091	33.50 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	27	\$ 876,056	927,741	16.898602	54,900	1.56	0.00
2011	30	28	420,131	435,346	17.251100	25,236	0.72	0.00
2012	30	29	6,094,095	6,192,210	17.590482	352,020	10.02	0.00
2013	30	30	2,357,290	2,357,290	17.917236	131,565	3.74	0.00
<b>Benefit Changes</b>								
2010	30	27	(4,060,736)	(4,300,309)	16.898602	(254,477)	(7.24)	0.00
<b>Assumption/Method Changes</b>								
2010	30	27	(611,648)	(647,734)	16.898602	(38,331)	(1.09)	0.00
2011	30	28	380,899	394,693	17.251100	22,879	0.65	0.00
2012	30	29	4,351,987	4,422,054	17.590482	251,389	7.15	0.00

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

# Actuarial Balance Sheet – September 30, 2013

## Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net assets from System financial statements (market value)	\$61,920,948
2. Funding value adjustment	<u>(1,367,523)</u>
3. Funding value of assets	60,553,425
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For normal costs	937,516
2. For unfunded actuarial accrued liability	<u>21,862,203</u>
3. Totals	22,799,719
C. Actuarial Present Value of Expected Future Member Contributions	<u>2,186,506</u>
D. Total Present and Expected Future Resources	<u><u>\$85,539,650</u></u>

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

A. To retirants and beneficiaries	\$63,169,583
B. To vested terminated members	2,769,114
C. To present active members:	
1. Allocated to service rendered prior to valuation date	15,728,528
2. Allocated to service likely to be rendered after valuation date	<u>3,124,022</u>
3. Totals	18,852,550
D. Reserve for Employer Contributions	748,403
E. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$85,539,650</u></u>

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## **SECTION B**

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

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## Summary of Benefit Provisions (September 30, 2013)

### **NORMAL RETIREMENT:**

#### **Eligibility**

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

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

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

Age 65 with 10 or more years of service.

#### **Pension Amount**

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

Average final compensation multiplied by the greater of:

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

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

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

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

#### **Average Final Compensation**

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

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

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

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

### **DROP RETIREMENT:**

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

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

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

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

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

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

**DUTY DISABILITY RETIREMENT:**

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

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

**NON-DUTY DISABILITY BEFORE RETIREMENT:**

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

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

**DUTY DEATH BEFORE RETIREMENT:**

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

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

**NON-DUTY DEATH BEFORE RETIREMENT:**

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

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

**AUTOMATIC DEATH AFTER RETIREMENT PENSION:**

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

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

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

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

Reduced optional forms of payment are available.

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

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

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

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

None.

**SUPPLEMENTAL PENSION DISTRIBUTION:**

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

**MEMBER CONTRIBUTIONS:**

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

**PREMIUM TAX MONIES:**

No future State contributions are expected.

**TOWN CONTRIBUTIONS:**

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

**PRIOR GOVERNMENTAL SERVICE ELSEWHERE:**

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

**PURCHASE OF SERVICE CREDIT:**

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

## Summary of Assets (Market Value)

	<u>September 30, 2013*</u>	<u>September 30, 2012</u>
Cash		\$ 899,454
Accrued interest and dividends		43,603
Other receivables		0
Investments		
- US government securities		1,755,811
- Corporate bonds and notes		2,191,600
- Domestic fixed income funds		10,281,666
- Common stock		5,755,034
- Equities and equity funds		33,523,973
- Inflation hedging funds		4,298,700
Accounts payable		(690,064)
Other		54,614
<b>Total Assets</b>	<b>\$61,920,948</b>	<b>\$58,114,391</b>

\* These figures are not available for the September 30, 2013 valuation.

# Accounting Information Utilized for Valuation

## REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>September 30, 2012</u>
<b>Revenues:</b>		
a. Member contributions	\$ 180,924	\$ 323,938
b. Town contributions	1,257,107	1,004,917
c. State contributions (Chapter 185)	-	229,923
d. Investment income		
1. Interest and Dividends	397,935	489,087
2. Amortization of premiums/discounts	-	-
3. Net Appreciation in Fair Value	7,136,853	6,764,243
e. Other	-	16,000
f. Total revenues	<u>8,972,819</u>	<u>8,828,108</u>
<b>Expenditures:</b>		
a. Refunds of member contributions	117,123	32,529
b. Benefits paid	4,699,716	4,443,665
c. Administrative expenses	129,597	181,684
d. Investment expenses	198,162	209,938
e. Total expenditures	<u>5,144,598</u>	<u>4,867,816</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u>\$ 3,828,221</u>	<u>\$ 3,960,292</u>

## Accounting Information Submitted for Valuation

### RESERVE ACCOUNTS\*

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Employees' contributions (Members' Saving Fund):	\$ 2,505,639	\$ 2,890,039
Employer contributions (Employer Reserve Fund):	(6,523,388)	(7,817,471)
Retired members and beneficiaries (Retirement Reserve Fund):	63,169,583	62,277,076
Inactive members (Deferred Retirement Fund):	<u>2,769,114</u>	<u>764,747</u>
Total	\$ 61,920,948	\$ 58,114,391

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

## Retired Member and Beneficiary Data

### Historical Schedule\*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1989	9	6	3	\$ 142,425	161	\$ 1,530,733	\$ 9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	16	110 #	(94)	(861,467)	135	3,293,668	24,398
2001	12	9	3	215,455	138	3,509,123	25,428
2002	8	3	5	269,507	143	3,778,630	26,424
2003	1	2	(1)	100,315	142	3,878,945	27,317
2004	4	3	1	172,906	68	1,968,093	28,943
2005	4	1	3	247,724	71	2,215,817	31,209
2006	3	1	2	257,450	73	2,473,267	33,880
2007	7	2	5	503,946	78	2,977,213	38,169
2008	5	2	3	389,364	81	3,366,577	41,563
2009	3	2	1	159,740	82	3,526,317	43,004
2010	2	0	2	172,503	84	3,698,820	44,034
2011	9	5	4	602,812	88	4,301,632	48,882
2012	7	1	6	306,760	94	4,608,392	49,025
<b>2013</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>124,540</b>	<b>95</b>	<b>4,732,932</b>	<b>49,820</b>

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

# Includes 107 General members.

## Retired Members and Beneficiaries

### Historical Comparison

Valuation Date**	% Incr. in Annual Pensions	No. of Active Per Retired	Pension Payroll as % of Active Payroll
9/30/1994	18.9	1.2	29.7 %
9/30/1995	7.2	1.2	32.3
9/30/1996	10.9	1.3	29.5
9/30/1997	3.9	1.4	29.2
9/30/1998	8.0	1.5	27.9
9/30/1999	12.3	1.3	30.8
9/30/2000	(20.7)	1	42.9
9/30/2001	6.5	1.0	39.4
9/30/2002	7.7	1.0	38.6
9/30/2003	2.7	1.0	38.1
9/30/2004	(49.3)	1.0	38.8
9/30/2005	12.6	1.0	41.4
9/30/2006	11.6	1.0	42.9
9/30/2007	20.4	0.9	55.8
9/30/2008	13.1	0.8	63.4
9/30/2009	4.7	0.9	57.0
9/30/2010	4.9	0.8	61.2
9/30/2011	16.3	0.7	82.4
9/30/2012	7.1	0.5	108.7
<b>9/30/2013</b>	<b>2.7</b>	<b>0.5</b>	<b>137.0</b>

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

**Retired Member and Beneficiary Data as of September 30, 2013  
by Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
<b>Age &amp; Service Benefits</b>		
Straight Life	15	\$ 1,109,901
10 Year Certain	25	1,691,018
Joint and Survivor Benefits - Regular	29	998,442
Surviving Beneficiaries	11	172,287
Total Age and Service Benefits	<u>80</u>	<u>3,971,648</u>
<b>Duty Disability Benefits</b>		
Straight Life	0	0
10 Year Certain	0	0
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	8,584
Total Duty Disability Benefits	<u>1</u>	<u>8,584</u>
<b>Non-Duty Disability Benefits</b>		
Straight Life	0	0
10 Year Certain	1	51,271
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	15,082
Total Non-Duty Disability Benefits	<u>2</u>	<u>66,353</u>
<b>Death-In-Service Benefits</b>		
Non-Duty Spouse	1	40,265
Total Death in Service Benefits	<u>1</u>	<u>40,265</u>
<b>Active DROP Members</b>	11	646,082
<b>Totals</b>	<b>95</b>	<b>\$ 4,732,932</b>

**Retired Member and Beneficiary Data as of September 30, 2013  
(Includes DROP Participants)  
Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Pensions</b>
30 - 34	1	\$ 40,265
35 - 39	1	51,271
40 - 44	1	82,158
45 - 49	7	540,879
50 - 54	13	1,050,230
55 - 59	18	1,223,323
60 - 64	7	248,575
65 - 69	10	421,325
70 - 74	18	706,837
75 - 79	8	187,030
80 - 84	6	109,493
85 - 89	2	17,499
90 - 94	1	17,382
95 - 99	2	36,665
<b>Totals</b>	<b>95</b>	<b>\$4,732,932</b>

Average Age at Retirement: 49.7 years

Average Age Now: 64.8 years

**Vested Terminated Members as of September 30, 2013**  
**Annual Estimated Pensions**

**Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Estimated Pensions</b>
25	1	\$ 6,825
27	1	9,040
28	4	34,090
37	1	18,089
38	2	61,435
39	3	103,087
40	1	30,770
43	1	23,802
45	1	18,848
47	1	24,708
48	1	50,301
<b>Totals</b>	<b>17</b>	<b>\$380,994</b>

## Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1999	69	3		\$3,678,581	38.7 yrs.	10.8 yrs.	\$53,313
2000	60	2		3,444,812	38.0	10.1	57,414
2001	62	2		3,959,149	37.8	10.0	63,857
2002	66	2		4,454,577	37.9	9.4	67,494
2003	67	2		4,713,181	38.5	10.0	70,346
2004	70	2		5,069,790	38.3	9.6	72,426
2005	72	1		5,347,947	38.8	9.6	74,277
2006	74	2		5,769,134	38.9	9.0	77,961
2007	71	2		5,333,625	38.9	8.7	75,121
2008	65	2		5,309,135	39.6	8.8	81,679
2009	70	1		6,186,737	39.1	8.5	88,382
2010	68	1		6,043,273	39.9	9.3	88,872
2011	60	1		5,221,806	40.1	9.0	87,030
2012	47	8		4,241,336	40.6	10.3	90,241
<b>2013</b>	<b>47</b>	<b>17</b>		<b>3,453,957</b>	<b>40.7</b>	<b>9.2</b>	<b>73,488</b>

## Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Retirement				Disability Retirement E	Died-in-		Withdrawal		Active Members End of Year
		A			E		Service		A		
		DROP	Other	Totals			A	E	A	E	
2004	6	1	1	2	9.7	0.1	0.1	1	2.5	70	
2005	7	0	2	2	9.4	0.1	0.1	3	2.8	72	
2006	10	1	2	3	9.7	0.1	0.1	5	2.9	74	
2007	4	3	2	5	10.7	0.1	0.1	2	3.3	71	
2008	4	1	4	5	9.1	0.1	0.1	5	2.96	65	
2009	11	1	0	1	6.5	0.1	0.1	5	2.6	70	
2010	1	1	0	1	6.5	0.1	0.1	2	2.9	68	
2011	0	7	0	7	9.0	1	0.1	0.1	0	2.2	60
2012	0	6	0	6	6.1	0.1	0.1	7	1.6	47	
<b>2013</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>5.4</b>	<b>0.1</b>	<b>0.1</b>	<b>9</b>	<b>1.1</b>	<b>47</b>	

*A represents actual number.*

*E represents expected number.*

## Active Member Data as of September 30, 2013

### by Near Age and Years of Service

Near Age	Years of Service to Valuation Date						Totals		
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	5	1						6	\$ 311,679
30-34	3	5						8	460,581
35-39	2	1	1					4	253,612
40-44	2	1	2	6				11	881,347
45-49	1	2	5	3	1			12	1,073,214
50-54	1	3		1				5	395,757
60+		1						1	77,767
<b>Totals</b>	<b>14</b>	<b>14</b>	<b>8</b>	<b>10</b>	<b>1</b>			<b>47</b>	<b>\$3,453,957</b>

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## **SECTION C**

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

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

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

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2004 (a)	\$ 46,386	\$51,605	89.9	\$ 5,219	\$5,070	102.9 %
2005 (a)	48,656	56,996	85.4	8,340	5,348	155.9
2006	52,614	60,835	86.5	8,221	5,769	142.5
2007	58,486	63,742	91.8	5,256	5,334	98.5
2008	61,668	68,525	90.0	6,857	5,309	129.2
2009	63,000	74,257	84.8	11,257	6,187	181.9
2010	64,079	76,694	83.6	12,615	6,043	208.8
2011 (a)	63,554	72,421	87.8	8,867	5,222	169.8
2012 (a)	61,028	80,129	76.2	19,101	4,241	450.4
<b>2013</b>	<b>60,553</b>	<b>82,416</b>	<b>73.5</b>	<b>21,863</b>	<b>3,454</b>	<b>633.0</b>

**Schedule of Employer Contributions\***

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll	Actual Dollar Contribution	Percentage Contributed
2005	34.73	\$1,690	\$1,622	100 %
2006 (a)	35.36	1,943	2,010	100
2007 (a)	42.25	2,382	2,399	101
2008	41.47	2,593	2,596	100
2009	40.32	2,330	2,330	100
2010	43.30	2,491	2,491	100
2011	45.56	3,054	2,496	100
2012 (a)	19.98	1,290	1,235	100
2013 (a)	25.04	1,257	1,257	100
2014 (a)	42.14	1,882		
<b>2015</b>	<b>56.62</b>	<b>2,059</b>		

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

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

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

## GASB Statement No. 25 Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2013 (Sixty-Seventh)
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization period*	13-30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.7%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	95
Terminated plan members entitled to but not yet receiving benefits	17
Active plan members	
Vested	19
Non-vested	28
	28
<b>Totals</b>	<b>159</b>

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

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**SECTION D**

STATE REQUIRED DATA

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

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
(i) Actuarial present value of active member benefits:		
Service retirement	\$16,990	\$17,958
Vested termination benefits	201	252
Disability retirement	1,060	1,410
Survivor benefits (pre-retirement)	553	736
Termination benefits - refunds	48	30
Totals	18,853	20,385
(ii) Actuarial present value of terminated vested members	2,769	765
(iii) Actuarial present value of retired member & beneficiary	63,170	62,277
(iv) Reserves	748	770
(v) Total actuarial present value of future benefit payments	85,540	84,197
(vi) Present value of active member future payroll	43,806	57,678
(vii) Present value of future active member contributions	2,187	2,878
(viii) Active member accumulated contributions	2,506	2,890
(ix) Actuarial accrued liability using projected unit credit funding method	70,464	67,167

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

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Actuarial Present Value of Accrued Benefits		
(calculated in accordance with FASB Statement No. 35)		
(i) Vested accrued benefits		
Retired members and beneficiaries	\$ 63,170	\$ 62,277
Terminated members	2,769	765
Active members (includes non-forfeitable accum. member contributions)	15,764	16,528
Total	81,703	79,570
(ii) Non-vested accrued benefits	1,059	1,275
(iii) Total actuarial p.v. of accrued benefits	82,762	80,845
(iv) Actuarial p.v. of accrued benefits at begin. of year	80,845	69,877
(v) Changes attributable to:		
Amendments	-	-
Assumption change	-	4,407
Operation of decrements	6,617	11,005
Benefit payments	(4,700)	(4,444)
Expenses	-	-
(vi) Net change	1,917	10,968
(vii) Actuarial p.v. of accr. benefits at end of year	82,762	80,845
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate		
(i) Vested	\$ 79,436	\$ 77,292
(ii) Non-Vested	998	1,206
(iii) Total	80,435	78,498
(iv) Market Value of Assets (MVA)	61,921	58,114
(v) Funded Ratio Using FRS Interest Rate and MVA	76.98 %	74.03 %

## Reconciliation of Membership Data

### A. Active Members

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

### B. Terminated Vested Members

1. Number Included in Last Valuation	8
2. Additions from Active Members	9
3. Lump Sum Payments	
4. Payments Commenced	
5. Deaths	
6. Other	<u>          </u>
7. Number Included in this Valuation	17

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

1. Number Included in Last Valuation	94
2. Additions from Active Members	1
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	
5. Added (Beneficiaries/Data Corrections)	
6. Number Included in this Valuation	<u>95</u>

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2013**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing DROP</b>	<b>Normal Retirement Regular</b>
46	1		
47	1	1	
51	1		
64	1		
<b>Totals</b>	<b>4</b>	<b>1</b>	<b>0</b>

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**SECTION III**  
FIREFIGHTERS REPORT

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**OUTLINE OF CONTENTS**  
**REPORT OF SEPTEMBER 30, 2013 ACTUARIAL VALUATION**

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

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**SECTION A**

**DETAILED VALUATION RESULTS**

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**Contributions To Finance Benefits of the Retirement System  
For the Plan Year Beginning October 1, 2014  
To be Contributed During the Fiscal Year Beginning October 1, 2014**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll
<b>Normal Cost</b>	
Service pensions	4.21 %
Disability pensions	1.59
Death in service pensions	0.79
Deferred service pensions	0.49
Refunds of member contributions	0.45
Total Normal Cost	7.53
<b>Unfunded Actuarial Accrued Liability (1)</b>	
Retired members and beneficiaries	0.00
Active and vested terminated members	51.11
Total Unfunded Actuarial Accrued Liability	51.11
Administrative Expenses	3.43
Total Unadjusted Computed Contribution	62.07
<b>Adjustments to Computed Contribution</b>	
FS 112.64(5) Compliance	0.00
Full funding credit	0.00
Total adjustments	0.00
<b>Total Adjusted Contribution Requirement</b>	<b>62.07</b>
Member portion	4.87
Town portion	57.20

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

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

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

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

	Prior Year			Cumulative		
	Premium Tax Distributions	Supplemental Compensation Fund	Total	Premium Tax Distributions	Supplemental Compensation Fund	Total
A. Additional premium tax revenues as of 9/30/12 after transfer			\$ -			
B. Chapter 175 receipts during fiscal year ending 9/30/13	\$ -	\$ -	0	\$5,302,770	\$ 2,501,137	\$7,803,907
C. Chapter 175 "frozen" receipts during fiscal year ending 9/30/13	201,787	50,247	252,034	3,026,805	703,458	3,730,263
D. Qualifying benefit improvements since Chapter 99-1 effective date			97,920			992,676
E. Additional premium tax revenues as of 9/30/2013 A + [ B - C - D, not less than 0 ]			0 *			3,080,968

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

## Determining Dollar Contributions

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

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

<b>Total Public Contribution Requirement</b>	<b>\$2,211,214</b>
<b>Chapter 175 Premium "frozen"</b>	-
<b>Chapter 175 Supplemental "frozen"</b>	-
<b>Funding from Add. Premium Tax Revenue</b>	-
<b>Base Town Contribution</b>	<b>\$2,211,214</b>

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

## Recommended Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions*
85/86	1984	21.99 %
86/87 (a)	1985	22.23
87/88	1986	21.58
88/89 (a)	1987	23.35
89/90	1988	23.34
90/91	1989	22.84
91/92 (a)	1990	26.06
92/93	1991	27.17
93/94	1992	28.86
94/95 (a)	1993	29.73
95/96	1994	32.83
96/97 (a)	1995	35.45
97/98	1996	34.32
98/99	1997	32.40
99/00 (a)	1998	30.13
00/01 (a)	1999	26.48
01/02 (a)	2000	15.11
02/03 (a)	2001	22.36
03/04	2002	34.45
04/05	2003	36.75
05/06 (a)	2004	39.34
06/07 (a)	2005	45.97
07/08	2006	46.47
08/09	2007	44.86
09/10	2008	47.5
10/11	2009	51.06
11/12	2010	53.12
12/13 (a)	2011	27.72
13/14 (a)	2012	47.41
<b>14/15</b>	<b>2013</b>	<b>57.20</b>

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

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

## FUNDING PROGRESS INDICATORS

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

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

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

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

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

Valuation Date September 30	Indicator (1)		Indicator (2)			Indicator (3)	
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1994	\$ 674	\$ 62,651	\$66,474	94 %	\$ 3,823	\$ 12,415	31 %
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000 (a)@	6,214	81,196	69,425	117	(11,771)	6,230	--
2001 (a)@	(3,133)	91,992	82,361	112	(9,631)	7,064	--
2002	(11,845)	86,446	88,991	97	2,545	7,769	33
2003	(3,088)	88,091	94,991	93	6,900	8,558	81
2004 (a)&	(1,587)	44,080	51,703	85	7,623	4,444	172
2005 (a)	(3,287)	45,765	59,314	77	13,548	5,237	259
2006	(290)	49,236	64,220	77	14,984	5,710	262
2007	3,038	54,723	67,027	82	12,304	5,573	221
2008	(864)	57,652	71,813	80	14,161	5,823	243
2009	(5,022)	57,852	78,139	74	20,287	6,398	317
2010	(1,385)	59,219	81,598	73	22,379	6,219	360
2011 (a)	1,134	58,899	72,928	81	14,029	5,142	273
2012 (a)	(5,221)	56,304	79,887	70	23,584	4,087	577
<b>2013</b>	<b>(2,023)</b>	<b>56,007</b>	<b>82,218</b>	<b>68</b>	<b>26,211</b>	<b>3,671</b>	<b>714</b>

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

# GASB Statement No. 25 basis.

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

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

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

**Experience Gain/(Loss)  
Year Ended September 30, 2013**

**DERIVATION**

(1) UAAL at start of year	\$23,583,630
(2) Employer Normal cost for year	248,549
(3) Employer contributions for defined benefits	1,370,636
(4) Interest accrued .075 x [(1) + 1/2 ((2)-(3))]	1,726,694
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	24,188,237
(6) Effect of assumption method changes	0
(7) Effect of benefit changes	0
(8) Expected UAAL after changes	24,188,237
(9) Actual UAAL	26,211,251
(10) Gain/(loss) (8) - (9)	(2,023,014)

UAAL represents Unfunded Actuarial Accrued Liability.

## Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2012	2013	2014	2015	2016	2017
A. Funding Value Beginning of Year	\$58,899,268	\$56,303,556				
B. Market Value End of Year	53,935,120	57,436,358				
C. Market Value Beginning of Year	50,211,355	53,935,120				
D. Non-Investment Net Cash Flow	(3,108,575)	(3,398,222)				
E. Investment Income						
E1. Market Total: B - C - D	6,832,340	6,899,460				
E2. Amount for Immediate Recognition at 7.5%	4,587,598	4,095,333				
E3. Amount for Phased-In Recognition: E1 - E2	2,244,742	2,804,127				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	448,948	560,825				
F2. First Prior Year	(990,524)	448,948	\$ 560,825			
F3. Second Prior Year	(179,489)	(990,524)	448,948	\$ 560,825		
F4. Third Prior Year	(833,678)	(179,489)	(990,524)	448,948	\$ 560,825	
F5. Fourth Prior Year	(2,519,992)	(833,678)	(179,490)	(990,525)	448,950	\$ 560,827
F6. Adjustment to Recognize 20% Corridor	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F7. Total Recognized Investment Gain/(Loss)	(4,074,735)	(993,918)	(160,241)	19,248	1,009,775	560,827
G. Accelerated Recognition of Investment Income	0	0				
H. Funding Value End of Year: A + D + E2 + F7						
Not to Exceed 120% of Market Value	56,303,556	56,006,749				
I. Difference between Market & Funding Value	(2,368,436)	1,429,609				
J. Recognized Rate of Return	0.89%	5.68%				
K. Recognized Rate of Investment Expenses	0.24%	0.35%				

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

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

	<b>2013</b>	<b>2012</b>
A. Actuarial present value of future benefits	\$85,828,244	\$84,046,605
B. Actuarial present value of future normal costs	3,610,244	4,159,419
C. Actuarial accrued liability	82,218,000	79,887,186
D. Actuarial value of assets	56,006,749	56,303,556
E. Unfunded actuarial accrued liability	26,211,251	23,583,630
F. Funded ratio	68.1%	70.5%

## Sources and Financing of Unfunded Actuarial Accrued Liability

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance*
						Dollar	Percent of Payroll	
<b>Initial Unfunded</b>								
2011	20	18		\$ 22,119,051	13.045428	\$ 1,695,540	45.40 %	0.00 %
<b>(Gain)/Loss Experience</b>								
2010	30	27	\$ 1,384,923	1,466,630	16.898602	86,790	2.32	0.00
2011	30	28	(1,134,442)	(1,175,524)	17.251100	(68,142)	(1.82)	0.00
2012	30	29	5,221,198	5,305,259	17.590482	301,598	8.07	0.00
2013	30	30	2,023,014	2,023,014	17.917236	112,909	3.02	0.00
<b>Benefit Changes</b>								
2010	30	27	(7,020,622)	(7,434,820)	16.898602	(439,967)	(11.78)	0.00
<b>Assumption/Method Changes</b>								
2010	30	27	(740,005)	(783,664)	16.898602	(46,374)	(1.24)	0.00
2011	30	28	187,849	196,491	17.251100	11,390	0.30	0.00
2012	30	29	4,423,594	4,494,814	17.590482	255,525	6.84	0.00
<b>Totals</b>				<b>\$ 26,211,251</b>		<b>\$ 1,909,269</b>	<b>51.11</b>	<b>0.00</b>

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

## Actuarial Balance Sheet - September 30, 2013

### Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net Assets from System Financial Statements (Market Value)	\$57,436,358
2. Funding Value Adjustment	<u>(1,429,609)</u>
3. Funding Value of Assets	56,006,749
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For Normal Costs	1,042,253
2. For Unfunded Actuarial Accrued Liability	<u>26,211,251</u>
3. Totals	27,253,504
C. Actuarial Present Value of Expected Future Member Contributions	<u>2,567,991</u>
D. Total Present and Expected Future Resources	<u><u>\$85,828,244</u></u>

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

A. To Retirants and Beneficiaries	\$65,590,236
B. To Vested Terminated Members	2,069,821
C. To Present Active Members:	
1. Allocated to Service Rendered Prior to Valuation Date	13,654,951
2. Allocated to Service likely to be Rendered After Valuation Date	<u>3,610,244</u>
3. Totals	17,265,195
E. Reserve for Employer Contributions	902,992
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$85,828,244</u></u>

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## **SECTION B**

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

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## Summary of Benefit Provisions (September 30, 2013)

### **NORMAL RETIREMENT:**

#### **Eligibility**

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

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

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

Age 65 with 10 or more years of service.

#### **Pension Amount**

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

Average final compensation multiplied by the greater of;

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

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

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

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

#### **Average Final Compensation**

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

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

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

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

### **DROP RETIREMENT:**

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

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

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

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

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

**DUTY DISABILITY RETIREMENT:**

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

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

**NON-DUTY DISABILITY BEFORE RETIREMENT:**

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

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

**DUTY DEATH BEFORE RETIREMENT:**

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

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

**NON-DUTY DEATH BEFORE RETIREMENT:**

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

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

**AUTOMATIC DEATH AFTER RETIREMENT PENSION:**

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

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

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

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

Reduced optional forms of payment are available.

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

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

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

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

None.

**MEMBER CONTRIBUTIONS:**

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

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

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

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

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

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

## Summary of Assets

	<u>September 30, 2013@</u>	<u>September 30, 2012</u>
Cash		\$ 684,076
Accrued interest and dividends		0
Other receivables		7,407
Investments		
- US government securities		0
- Corporate bonds and notes		11,244,909
- Domestic fixed income funds		0
- Common stock		5,271,526
- Equity funds		17,637,945
- Real Asset funds		5,022,650
- Alternative investments		17,563,611
Accounts payable		(1,250,493) *
Other		(2,246,511) #
<b>Total Assets</b>	<b>\$57,436,358</b>	<b>\$53,935,120</b>

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

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

@ These figures are not available for the September 30, 2013 valuation.

# Accounting Information Utilized for Valuation

## Revenues and Expenditures

	<u>Year Ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>September 30, 2012</u>
<b>Revenues:</b>		
a. Member contributions	\$ 190,047	\$ 279,466
b. Town contributions	1,370,636	1,065,434
c. State contributions (Chapter 175)	- *	349,954
d. Investment income		
1. Interest and dividends	386,137	571,432
2. Amortization of premiums/discounts	-	-
3. Net appreciation in fair value	6,925,255	6,415,628
e. Other	<u>-</u>	<u>-</u>
f. Total revenues	<u>8,872,075</u>	<u>8,681,914</u>
<b>Expenditures:</b>		
a. Refunds of member contributions	-	15,566
b. Benefits paid	4,847,953	4,611,265
c. Supplemental pension distribution	-	-
d. Administrative expenses	125,755	176,598
e. Investment expenses	192,287	135,385
f. DROP & share account distributions/expenses	<u>204,842</u>	<u>19,336</u>
g. Total expenditures	<u>5,370,837</u>	<u>4,958,150</u>
<b>Reserve Increase:</b>		
Total revenues minus total expenditures	<u>\$ 3,501,238</u>	<u>\$ 3,723,764</u>

\* Amounts received in excess of \$349,954 were excluded, as were the aggregate share account assets of \$1,269,110.

## Accounting Information Submitted for Valuation

### Reserve Accounts\*

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Employees' contributions (Members' Saving Fund)	\$ 2,811,972	\$ 2,819,647
Employer contributions (Employer Reserve Fund)	(13,035,671)	(14,829,411)
Retired members and beneficiaries (Retirement Reserve Fund)	65,590,236	65,006,622
Inactive members (Deferred Retirement Fund)	<u>2,069,821</u>	<u>938,262</u>
Total	\$ 57,436,358	\$ 53,935,120

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

## Retired Member and Beneficiary Data

### Historical Schedule\*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1984	6	4	2	\$ 32,936	131	\$ 937,207	\$ 7,154
1985	15	5	10	166,787	141	1,103,994	7,830
1986	10	3	7	119,451	148	1,223,445	8,267
1987	7	2	5	72,350	153	1,295,794	8,469
1988	13	8	5	92,514	158	1,388,308	8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	16	110 #	(94)	(861,467)	135	3,293,668	24,398
2001	12	9	3	215,455	138	3,509,123	25,428
2002	8	3	5	269,507	143	3,778,630	26,424
2003	1	2	(1)	100,315	142	3,878,945	27,317
2004	9	7	2	235,991	77	2,319,749	30,127
2005	2	0	2	247,973	79	2,567,722	32,503
2006	3	4	(1)	187,448	78	2,755,170	35,323
2007	6	5	1	254,745	79	3,009,915	38,100
2008	7	4	3	270,047	82	3,279,962	40,000
2009	6	3	3	316,610	85	3,596,572	42,313
2010	5	1	4	232,386	89	3,828,958	43,022
2011	9	6	3	719,043	92	4,548,001	49,435
2012	4	2	2	238,201	94	4,786,202	50,917
<b>2013</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>132,496</b>	<b>97</b>	<b>4,918,698</b>	<b>50,708</b>

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

# Includes 107 General members.

## Retired Members and Beneficiaries Historical Comparison

Valuation Date**	% Incr. in Annual Pensions	No. of Active Per Retired	Pension Payroll as % of Active Payroll
9/30/1994	18.9 %	1.1	39.2 %
9/30/1995	7.2	1.1	38.7
9/30/1996	10.9	1.1	41.8
9/30/1997	3.9	1.1	40.1
9/30/1998	8.0	1	45.7
9/30/1999	12.3	0.8	58.8
9/30/2000	(20.7)	0.8	65.2
9/30/2001	6.5	0.8	62.8
9/30/2002	7.7	0.7	62.1
9/30/2003	2.7	0.8	54.2
9/30/2004	(40.2)	0.9	52.2
9/30/2005	10.7	0.9	49.0
9/30/2006	7.3	0.9	48.3
9/30/2007	9.2	0.9	54.0
9/30/2008	9.0	0.9	56.3
9/30/2009	9.7	0.9	56.2
9/30/2010	6.5	0.8	61.6
9/30/2011	18.8	0.7	88.4
9/30/2012	5.2	0.5	117.1
<b>9/30/2013</b>	<b>2.8</b>	<b>0.5</b>	<b>134.0</b>

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

**Retired Member and Beneficiary Data as of September 30, 2013  
By Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
<b>Age &amp; Service Benefits</b>		
Straight Life	5	\$ 205,884
10-Year Certain	27	1,850,836
Joint and Survivor Benefits - Regular	31	1,282,696
Surviving Beneficiaries	12	298,676
Total Age and Service Benefits	75	3,638,092
<b>Duty Disability Benefits</b>		
Straight Life	1	28,736
10-Year Certain	0	0
Joint and Survivor Benefits	1	48,240
Surviving Beneficiaries	0	0
Total Duty Disability Benefits	2	76,976
<b>Non-Duty Disability Benefits</b>		
Straight Life	0	0
10-Year Certain	4	167,266
Joint and Survivor Benefits	4	99,190
Surviving Beneficiaries	0	0
Total Non-Duty Disability Benefits	8	266,456
<b>Death-In-Service Benefits</b>		
Non-Duty Spouse	0	0
Total Death in Service Benefits	0	0
<b>Active DROP Members</b>	12	937,174
<b>Totals</b>	<b>97</b>	<b>\$ 4,918,698</b>

**Retired Member and Beneficiary Data as of September 30, 2013  
(Includes DROP Participants)  
Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Pensions</b>
Under 40	2	\$ 79,326
40 - 44	3	226,088
45 - 49	6	544,422
50 - 54	18	1,311,128
55 - 59	16	859,731
60 - 64	15	674,864
65 - 69	8	352,955
70 - 74	13	438,401
75 - 79	4	129,363
80 - 84	7	175,106
85 - 89	3	91,211
90 - 94	2	36,103
<b>Totals</b>	<b>97</b>	<b>\$ 4,918,698</b>

Average Age at Retirement: 48.7 years

Average Age Now: 63.1 years

**Vested Terminated Members as of September 30, 2013**  
**Annual Estimated Pensions**  
**Tabulated by Attained Age**

<b>Attained Age</b>	<b>No.</b>	<b>Annual Estimated Pensions</b>
28	1	\$ 7,613
30	2	18,789
32	2	32,076
33	1	25,931
35	1	7,967
41	2	109,859
42	1	11,811
43	1	59,394
45	1	12,373
46	1	13,598
<b>Totals</b>	<b>13</b>	<b>\$ 299,411</b>

## Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested Terminated Members	Valuation Payroll	Average		
				Age	Service	Pay
1999	58	0	\$2,824,287	37.4 yrs.	11.1 yrs.	\$48,729
2000	56	0	2,785,352	37.3	10.9	49,738
2001	58	0	3,104,984	36.4	10.1	53,534
2002	56	2	3,314,457	36.9	10.3	59,187
2003	63	1	3,845,159	37.2	10.1	61,034
2004	67	1	4,443,846	37.4	9.4	66,326
2005	74	2	5,236,941	37.2	8.7	70,769
2006	74	2	5,709,684	37.7	9.1	77,158
2007	72	2	5,573,348	37.9	9.1	77,408
2008	73	1	5,822,885	37.9	9.3	79,766
2009	73	1	6,397,554	37.6	9.1	87,638
2010	69	1	6,218,731	38.1	9.8	90,127
2011	60	1	5,142,125	38.0	9.2	85,702
2012	51	6	4,087,465	38.0	10.0	80,146
<b>2013</b>	<b>50</b>	<b>13</b>	<b>3,671,337</b>	<b>39.3</b>	<b>9.6</b>	<b>73,427</b>

## Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Retirement				Disability Retirement E	Died-in-		Withdrawal		Active Members End of Year
		A			E		Service		E		
		DROP	Other	Totals			A	E	A	E	
2004	9	2	1	3	8.2	0.1	0.1	2	2.0	67	
2005	11	1	1	2	7	0.1	0.1	2	3.0	74	
2006	4	1	1	2	8.0	0.1	0.1	2	3.7	74	
2007	5	3	0	3	8.2	0.1	0.1	4	3.3	72	
2008	4	1	2	3	8.7	0.1	0.1		2.8	73	
2009	5	3	1	4	9.4	0.1	0.1	1	2.7	73	
2010	0	2	1	3	7.0	0.1	0.1	1	2.7	69	
2011	0	8	0	8	5.9	0.1	0.1	1	2.2	60	
2012	0	3	1	4	3.7	0.1	0	5	1.7	51	
<b>2013</b>	<b>8</b>	<b>1</b>		<b>1</b>	<b>1.7</b>	<b>1</b>	<b>0.1</b>	<b>0.0</b>	<b>7</b>	<b>1.3</b>	<b>50</b>

A represents actual number.

E represents expected number.

## Active Member Data as of September 30, 2011

### By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date						Totals		
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29		1						1	\$ 58,055
30-34	7	5	1					13	738,536
35-39	1	6	5	1				13	920,909
40-44	2	2	3	5				12	972,835
45-49		2	2	3	1			8	721,806
50-54		2						2	209,890
55-59	1							1	49,306
<b>Totals</b>	<b>11</b>	<b>18</b>	<b>11</b>	<b>9</b>	<b>1</b>			<b>50</b>	<b>\$3,671,337</b>

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## **SECTION C**

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

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

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

**Schedule of Funding Progress\***

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2004 (a)	\$44,080	\$51,703	85.3 %	\$ 7,623	\$4,444	171.5 %
2005 (a)	45,765	59,314	77.2	13,549	5,237	258.7
2006	49,236	64,220	76.7	14,984	5,710	262.4
2007	54,723	67,027	81.6	12,304	5,573	220.8
2008	57,652	71,813	80.3	14,161	5,823	243.2
2009	57,852	78,139	74	20,287	6,398	317.1
2010	59,219	81,598	72.6	22,379	6,219	359.8
2011 (a)	58,899	72,928	80.8	14,029	5,142	272.8
2012 (a)	56,304	79,887	70.5	23,583	4,087	577.0
<b>2013</b>	<b>56,007</b>	<b>82,218</b>	<b>68.1</b>	<b>26,211</b>	<b>3,671</b>	<b>714.0</b>

**Schedule of Employer Contributions\***

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll#	Actual Dollar Contribution	Percentage Contributed
2005	34.73	\$1,531	\$1,466	100 %
2006 (a)	39.34	1,796	1,701	100
2007 (a)	45.97	2,609	2,610	100
2008	46.47	2,875	2,875	100
2009	44.86	2,709	2,709	100
2010	47.50	2,997	2,997	100
2011	51.06	3,540	2,919	100
2012 (a)	23.54	1,563	1,415	100
2013 (a)	27.72	1,371	1,371	100
2014 (a)	47.41	2,040		
<b>2015</b>	<b>57.20</b>	<b>2,211</b>		

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

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

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

## GASB Statement No. 25 Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2013
Actuarial cost method	Entry-Age
Amortization method	Level percent of payroll
Remaining amortization period*	18-30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	7.3% to 3.5%
Includes inflation and other general increases at	3.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3 year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	97
Terminated plan members entitled to but not yet receiving benefits	13
Active plan members	
Vested	21
Non-vested	29
	29
<b>Totals</b>	<b>160</b>

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

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**SECTION D**

STATE REQUIRED DATA

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

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
(i) Actuarial present value of active member benefits:		
Service retirement	\$15,008	\$14,660
Vested termination benefits	246	279
Disability retirement	1,297	1,473
Survivor benefits (pre-retirement)	672	757
Termination benefits - refunds	41	30
Totals	17,265	17,199
(ii) Actuarial present value of terminated vested members	2,070	938
(iii) Actuarial present value of retired member & beneficiary	65,590	65,007
(iv) Reserves	903	903
(v) Total actuarial present value of future benefit payments	85,828	84,047
(vi) Present value of active member future payroll	53,228	62,416
(vii) Present value of future active member contributions	2,568	3,011
(viii) Active member accumulated contributions	2,812	2,820
(ix) Actuarial accrued liability using projected unit credit funding method	81,258	78,639

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

September 30, 2013

September 30, 2012

### Actuarial Present Value of Accrued Benefits

(calculated in accordance with FASB Statement No. 35)

(i) Vested accrued benefits		
Retired members and beneficiaries	\$ 65,590	\$ 65,007
Terminated members	2,070	938
Active members (includes non-forfeitable accum. member contributions)	13,732	13,027
Total	81,392	78,972
(ii) Non-vested accrued benefits	1,192	1,543
(iii) Total actuarial p.v. of accrued benefits	82,584	80,515
(iv) Actuarial p.v. of accrued benefits at begin. of year	80,515	70,570
(v) Changes attributable to:		
Amendments	-	-
Assumption change	-	4,484
Operation of decrements	6,917	10,072
Benefit payments	(4,848)	(4,611)
Expenses	-	-
(vi) Net change	2,069	9,945
(vii) Actuarial p.v. of accr. benefits at end of year	82,584	80,515

### Actuarial Present Value of Accrued Benefits Using FRS Interest Rate

(i) Vested	\$ 76,305	\$ 76,656
(ii) Non-Vested	1,123	1,455
(iii) Total	77,428	78,111
(iv) Market Value of Assets (MVA)	57,436	53,935
(v) Funded Ratio Using FRS Interest Rate and MVA	74.18 %	69.05 %

## Reconciliation of Membership Data

### A. Active Members

1. Number Included in Last Valuation	51
2. New Members Included in Current Valuation	8
3. Non-Vested Employment Terminations	
4. Vested Employment Terminations	(7)
5. Service Retirements	
6. DROP Retirements	(1)
7. Disability Retirements	(1)
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>50</u>

### B. Terminated Vested Members

1. Number Included in Last Valuation	6
2. Additions from Active Members	7
3. Lump Sum Payments	
4. Payments Commenced	
5. Deaths	
6. Other	
7. Number Included in this Valuation	<u>13</u>

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

1. Number Included in Last Valuation	94
2. Additions from Active Members	2
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(2)
5. Added (Beneficiaries/Data Corrections)	<u>3</u>
6. Number Included in this Valuation	97

**Number Eligible/Number Electing Normal Retirement  
During Year Ended September 30, 2013**

<b>Age</b>	<b>Number Eligible</b>	<b>Number Electing Normal Retirement</b>	
		<b>DROP</b>	<b>Regular</b>
47	1		
51	1	1	
<b>Totals</b>	<b>2</b>	<b>1</b>	<b>0</b>

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## **APPENDIX**

ACTUARIAL COST METHOD, ACTUARIAL  
ASSUMPTIONS AND DEFINITIONS OF TECHNICAL  
TERMS

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## Actuarial Cost Method

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

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

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

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

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

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

## General UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 9,498,699	\$ 16,216,580	\$ 905,086
2	9,831,154	16,478,072	936,764
3	10,175,244	16,725,759	969,551
4	10,531,378	16,957,437	1,003,485
5	10,899,976	17,170,695	1,038,607
6	11,281,475	17,362,897	1,074,959
7	11,676,327	17,531,169	1,112,582
8	12,084,998	17,672,373	1,151,523
9	12,507,973	17,783,090	1,191,826
10	12,945,752	17,859,597	1,233,540
11	13,398,853	17,897,838	1,276,714
12	13,867,813	17,893,404	1,321,399
13	14,353,187	17,841,501	1,367,648
14	14,855,548	17,736,918	1,415,515
15	15,375,492	17,573,997	1,465,058
16	15,913,635	17,346,596	1,516,335
17	16,470,612	17,048,048	1,569,407
18	17,047,083	16,671,126	1,624,336
19	17,643,731	16,207,990	1,681,188
20	18,261,262	15,650,149	1,740,030
21	18,900,406	14,988,399	1,800,931
22	19,561,920	14,212,774	1,863,963
23	20,246,587	13,312,487	1,929,202
24	20,955,218	12,275,859	1,996,724
25	21,688,651	11,090,257	2,066,609
26	22,447,753	9,742,014	2,138,941
27	23,233,425	8,216,353	2,213,804
28	24,046,595	6,497,296	2,291,287
29	24,888,225	4,567,576	2,371,482
30	25,759,313	2,408,530	2,454,484
31	26,660,889	0	0

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

## Ocean Rescue UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 199,719	\$1,814,655	\$ 101,280
2	206,710	1,843,916	104,825
3	213,944	1,871,633	108,494
4	221,433	1,897,558	112,291
5	229,183	1,921,422	116,221
6	237,204	1,942,929	120,289
7	245,506	1,961,759	124,499
8	254,099	1,977,560	128,857
9	262,992	1,989,949	133,367
10	272,197	1,998,511	138,035
11	281,724	2,002,790	142,866
12	291,584	2,002,294	147,866
13	301,790	1,996,486	153,041
14	312,352	1,984,783	158,398
15	323,285	1,966,552	163,942
16	334,600	1,941,105	169,680
17	346,311	1,907,697	175,619
18	358,432	1,865,519	181,765
19	370,977	1,813,694	188,127
20	383,961	1,751,271	194,711
21	397,400	1,677,220	201,526
22	411,309	1,590,427	208,580
23	425,704	1,489,683	215,880
24	440,604	1,373,684	223,436
25	456,025	1,241,013	231,256
26	471,986	1,090,143	239,350
27	488,506	919,420	247,727
28	505,603	727,055	256,398
29	523,299	511,117	265,372
30	541,615	269,517	274,660
31	560,571	0	0

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

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

Year	Investment Assumption	Inflation Assumption	
	7.50%	UAAL Balance	3.50%
	Payroll		Payment
1	\$ 3,453,957	\$ 21,862,203	\$ 1,220,182
2	3,574,846	22,214,730	1,262,889
3	3,699,966	22,548,647	1,307,090
4	3,829,464	22,860,982	1,352,838
5	3,963,496	23,148,482	1,400,187
6	4,102,218	23,407,598	1,449,194
7	4,245,796	23,634,452	1,499,915
8	4,394,398	23,824,815	1,552,412
9	4,548,202	23,974,077	1,606,747
10	4,707,390	24,077,218	1,662,983
11	4,872,148	24,128,772	1,721,187
12	5,042,673	24,122,795	1,781,429
13	5,219,167	24,052,822	1,843,779
14	5,401,838	23,911,830	1,908,311
15	5,590,902	23,692,190	1,975,102
16	5,786,584	23,385,621	2,044,231
17	5,989,114	22,983,138	2,115,779
18	6,198,733	22,474,994	2,189,831
19	6,415,689	21,850,623	2,266,475
20	6,640,238	21,098,575	2,345,802
21	6,872,646	20,206,444	2,427,905
22	7,113,189	19,160,794	2,512,882
23	7,362,150	17,947,082	2,600,832
24	7,619,826	16,549,563	2,691,861
25	7,886,520	14,951,207	2,786,077
26	8,162,548	13,133,589	2,883,589
27	8,448,237	11,076,786	2,984,515
28	8,743,925	8,759,258	3,088,973
29	9,049,963	6,157,727	3,197,087
30	9,366,711	3,247,034	3,308,985
31	9,694,546	0	0

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

## Firefighters UAAL Amortization Schedule\*

Year	Investment Assumption 7.50%	Inflation Assumption 3.50%	
	Payroll	UAAL Balance	Payment
1	\$ 3,671,337	\$26,211,251	\$ 1,462,913
2	3,799,833	26,633,907	1,514,115
3	3,932,828	27,034,250	1,567,109
4	4,070,477	27,408,717	1,621,958
5	4,212,943	27,753,410	1,678,726
6	4,360,396	28,064,071	1,737,482
7	4,513,010	28,336,053	1,798,294
8	4,670,965	28,564,285	1,861,234
9	4,834,449	28,743,240	1,926,377
10	5,003,655	28,866,898	1,993,800
11	5,178,783	28,928,709	2,063,583
12	5,360,040	28,921,542	2,135,809
13	5,547,642	28,837,650	2,210,562
14	5,741,809	28,668,610	2,287,932
15	5,942,773	28,405,277	2,368,009
16	6,150,770	28,037,723	2,450,890
17	6,366,046	27,555,173	2,536,671
18	6,588,858	26,945,944	2,625,454
19	6,819,468	26,197,368	2,717,345
20	7,058,150	25,295,715	2,812,452
21	7,305,185	24,226,112	2,910,888
22	7,560,866	22,972,451	3,012,769
23	7,825,497	21,517,294	3,118,216
24	8,099,389	19,841,768	3,227,353
25	8,382,868	17,925,450	3,340,311
26	8,676,268	15,746,253	3,457,222
27	8,979,937	13,280,290	3,578,225
28	9,294,235	10,501,738	3,703,462
29	9,619,533	7,382,683	3,833,084
30	9,956,217	3,892,966	3,967,241
31	10,304,685	0	0

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

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

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

The principal areas of activity which require assumptions are:

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

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

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

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

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

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

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

	<b>Year Ended September 30</b>					<b>Average for Period</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	
Actual	1.2%	2.0%	3.9%	1.1%	(1.3)%	1.4%
Assumed	3.0%	3.0%	4.0%	5.0%	5.0%	4.0%

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

### **General and Ocean Rescue**

	<b>Year Ended September 30</b>					<b>Average for Period</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	
Total Rate of Return	7.7 %	1.9 %	1.7 %	2.9 %	(1.2) %	2.6 %
less investment expenses	0.4	0.4	0.4	0.3	0.4	0.4
Net Rate of Return	7.3	1.5	1.3	2.6	(1.6)	2.2
less inflation rate	1.2	2.0	3.9	1.1	(1.3)	1.4
Net Real Rate of Return	6.1	(0.5)	(2.6)	1.5	(0.3)	0.8
<b>Assumed Real Rate</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>3.0 %</b>	<b>3.0 %</b>	<b>3.6 %</b>
<b>Assumed Net Rate</b>	<b>7.5 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>7.9 %</b>

## Police

	Year Ended September 30					Average for Period
	2013	2012	2011	2010	2009	
Total Rate of Return	5.1%	0.9%	1.6%	3.2%	3.9%	2.9%
less investment expenses	0.3	0.3	0.4	0.4	0.3	0.3
Net Rate of Return	4.8	0.6	1.2	2.8	3.6	2.6
less inflation rate	1.2	2.0	3.9	1.1	(1.3)	1.4
Net Real Rate of Return	3.6	(1.4)	(2.7)	1.7	4.9	1.2
<b>Assumed Real Rate</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.6%</b>
<b>Assumed Net Rate</b>	<b>7.5%</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.8%</b>

## Fire

	Year Ended September 30					Average for Period
	2013	2012	2011	2010	2009	
Total Rate of Return	5.7%	0.9%	1.3%	3.0%	1.5%	2.5%
less investment expenses	0.4	0.2	0.3	0.3	0.3	0.3
Net Rate of Return	5.4	0.7	1.0	2.7	1.2	2.2
less inflation rate	1.2	2.0	3.9	1.1	(1.3)	1.4
Net Real Rate of Return	4.2	(1.3)	(2.9)	1.6	2.5	0.8
<b>Assumed Real Rate</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.6%</b>
<b>Assumed Net Rate</b>	<b>7.5%</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.8%</b>

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

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

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

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

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

	Year Ended September 30					Average 10-Year#
	2013	2012	2011	2010	2009	
% Change: Actual*						
- Gen.	(1.8) %	0.6 %	1.0 %	1.1 %	5.6 %	
- O.R.	(0.4)	(2.1)	2.1	1.5	9.4	
- Pol.	(12.6)	1.9	0.8	1.1	16.4	
- Fire	(6.2)	(5.7)	0.4	3.1	16.1	
Assumed						
- Gen.	5.0	4.9	7.0	6.9	7.0	
- O.R.	5.3	5.4	7.5	7.7	7.7	
- Pol.	5.6	6.6	6.7	7.6	7.7	
- Fire	5.6	6.7	6.8	7.7	7.7	
% Change in Total Payroll						
- Gen.	(1.9)	(9.7)	-4.8	-12.7	4.3	-1.0 %
- O.R.	(0.4)	(2.1)	(50.1)	(21.2)	27.8	0.0
- Pol.	(18.6)	(18.8)	(13.6)	(2.3)	16.5	-0.7
- Fire	(10.2)	(20.5)	(17.3)	(2.8)	9.9	0.9

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

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

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

	Year Ended September 30					Average 5-Year
	2013	2012	2011	2010	2009	
Net Rate of Investment Return						
- Gen./O.R.	7.7 %	1.9 %	1.7 %	2.9 %	(1.2) %	2.6 %
- Pol.	5.1	0.9	1.6	3.2	3.9	2.9
- Fire	5.6	0.9	1.3	3.0	1.5	2.5
Rate of Change in Average Pay -						
- Gen.	(1.8)	0.6	1.0	1.1	5.6	1.3
- O.R.	(0.4)	(2.1)	2.1	1.5	9.4	2.1
- Pol.	(12.6)	1.9	0.8	1.1	16.4	5.8
- Fire	(6.2)	(5.7)	0.4	3.1	16.1	5.8
Difference: Actual -						
- Gen.	9.5	1.3	0.7	1.8	(6.8)	1.3
- O.R.	8.1	4.0	(0.4)	1.4	(10.6)	0.5
- Pol.	17.7	(1.0)	0.8	2.1	(12.5)	(0.6)
- Fire	11.8	6.6	0.9	(0.1)	(14.6)	(1.3)
Target						
- All	4.0	4.0	4.0	3.0	3.0	3.6

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

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

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

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

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

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

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

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

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

### General and Ocean Rescue

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

## Police and Fire

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

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

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

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

## New Plan Provisions

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

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

## **Summary of Assumptions Used September 30, 2013 Miscellaneous and Technical Assumptions**

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

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

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

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

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

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

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

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

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

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

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

**Summary of Assumptions Used  
September 30, 2013  
Miscellaneous and Technical Assumptions**

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

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

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

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

## Definitions of Technical Terms

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

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

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

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

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

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

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

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

## Definitions of Technical Terms

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

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

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

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

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

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

March 7, 2014

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

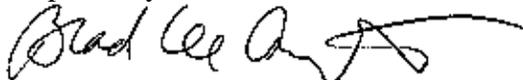
Dear Mr. Hanes:

Enclosed are twenty copies of the Combined Annual Actuarial Valuation Report as of September 30, 2013 for the Town of Palm Beach Retirement System.

One copy should be sent, within 60 days to:

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

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA

BLA:bd  
Enclosures

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

**UPDATED 5/2011**

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