

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, 2011

OUTLINE OF CONTENTS
COMBINED ACTUARIAL VALUATION REPORT AS OF SEPTEMBER 30, 2011
FOR GENERAL EMPLOYEES INCLUDING OCEAN RESUCUE, POLICE
OFFICERS AND FIREFIGHTERS

	Items
--	Introduction
1-8	Executive Summary
Section	
I	General
	A. Detailed Valuation Results
	B. Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
	C. Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board
	D. State Required Data
II	Police Officers
	A. Detailed Valuation Results
	B. Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
	C. Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board
	D. State Required Data
III	Firefighters
	A. Detailed Valuation Results
	B. Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
	C. Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board
	D. State Required Data
Appendix	Actuarial Cost Method, Actuarial Assumptions and Definitions of Technical Terms
1	Actuarial Cost Method
2-3	UAAL Amortization Schedules
4-14	Actuarial Assumptions used for the Valuation
15-16	Miscellaneous and Technical Assumptions
17-18	Definitions of Technical Terms

June 12, 2012

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

The results of the September 30, 2011 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, 2012 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
June 12, 2012

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.

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

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA



Randall J. Dziubek, ASA, EA, MAAA

BLA/RJD:mrb

EXECUTIVE SUMMARY

COMBINED VALUATION SUMMARY, OBSERVATIONS,
RECOMMENDATIONS AND CERTIFICATION

Summary of Valuation Results September 30, 2011

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.

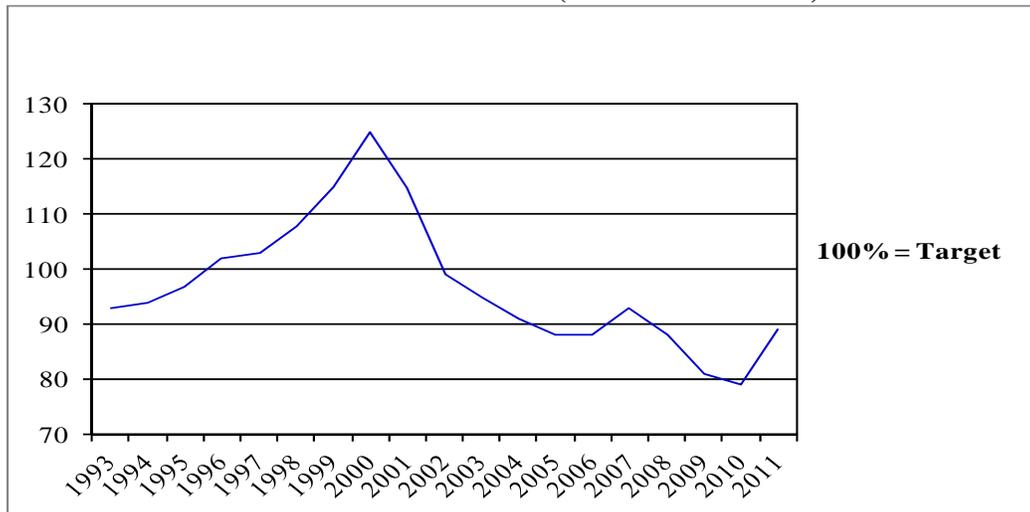
The annual actuarial valuation measures the relationship between Retirement System obligations and assets and determines the contribution rates for the ensuing year. The Retirement System is supported by member contributions, Town contributions, and investment income from Retirement System assets.

VALUATION RESULTS - FUNDING PROGRESS INDICATORS

General

The September 30, 2011 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 89.5% funded by the Funding Value Assets. This is an increase from last year's funded ratio of 79.2%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 78.0%. This is an increase from last year's ratio of 70.0%.

Funded Ratio for General (and Ocean Rescue)*

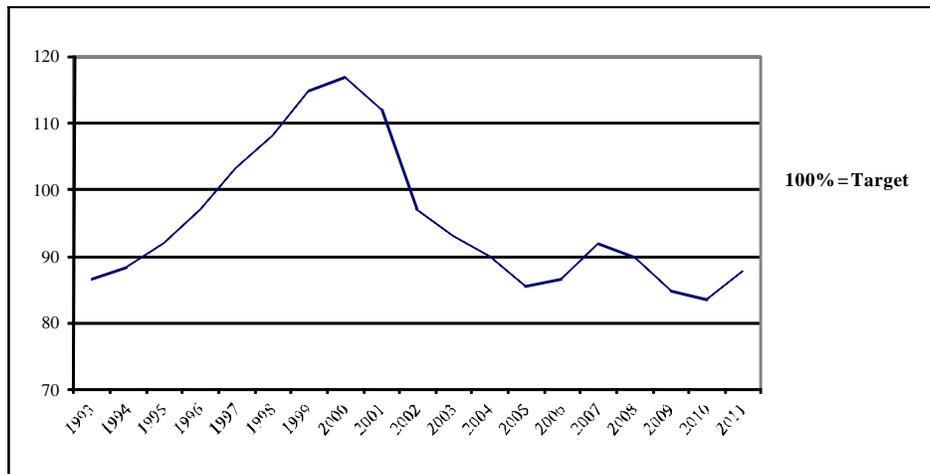


* Years prior to 2000 include Public Safety.

Police

The September 30, 2011 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 87.8% funded by the Funding Value Assets. This is an increase from last year's funded ratio of 83.6%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 74.8%. This is an increase from last year's 72.3%.

Funded Ratio for Police*

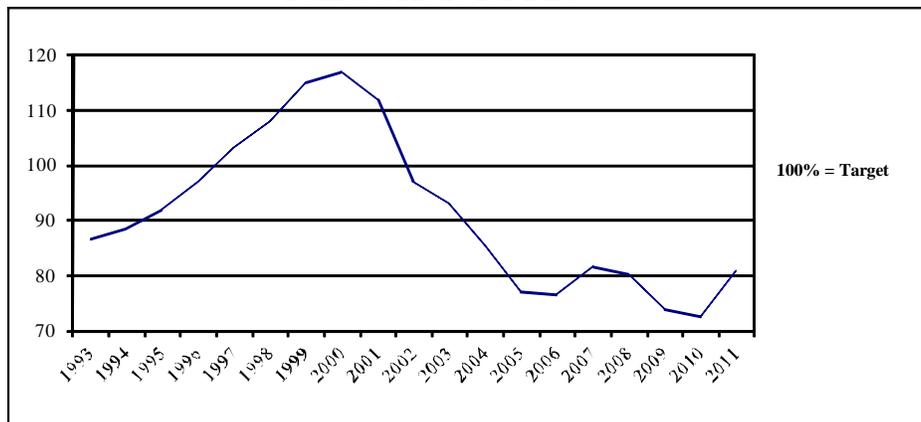


* Years prior to 2004 include Fire and years prior to 2000 include General and Ocean Rescue.

Fire

The September 30, 2011 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 80.8% funded by the Funding Value of assets. This is an increase from last year's funded ratio of 72.6%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 68.9%. This is an increase from last year's 63.2%.

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 2012-2013 and 2011-2012 fiscal years are:

General

	2012-2013			2011-2012		
	General	Ocean Rescue	Aggregate	General	Ocean Rescue	Aggregate
Member portion	3.12 %	4.41 %		6.47 %	7.21 %	
Town portion	11.87	63.59	12.84 %	23.34	41.71	23.85 %
Illustrative \$	\$1,223,869	\$125,294	\$1,349,162	\$2,847,033	\$146,124	\$2,993,157

The aggregate public contribution requirement has decreased significantly since last year due to changes in plan provisions. 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

	2012-2013	2011-2012
Member portion	5.05 %	6.98 %
Public portion	25.04	46.89
State	0.00	3.23
Town	25.04	43.66
Illustrative \$	\$1,257,107	\$2,859,131

The Town's contribution requirement has decreased significantly since last year due to changes in plan provisions. 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

	2012-2013	2011-2012
Member portion	4.83 %	6.82 %
Public portion	27.72	53.12
State	0.00	5.19
Town	27.72	47.93
Illustrative \$	\$1,370,637	\$3,229,679

The Town's contribution requirement has decreased significantly since last year due to changes in plan provisions. 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

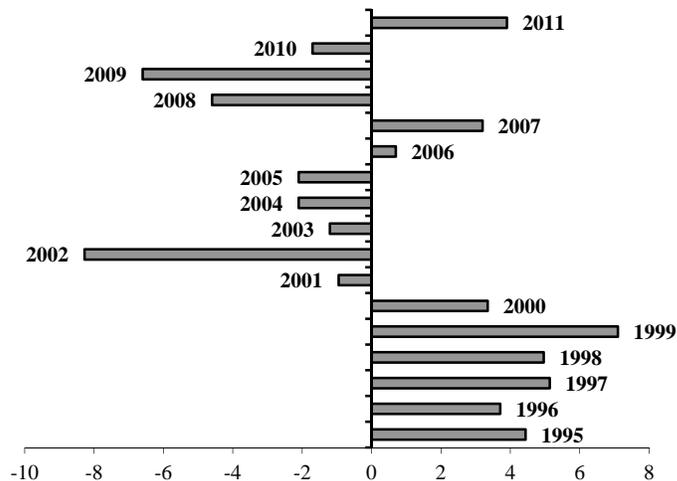
The Funding Value of Assets of the Retirement System increased less than projected by the long-term investment income funding assumption during the last year. Note that each year's deviation from assumed investment experience is spread over five years in equal dollar installments to reduce the effect of market volatility on contribution rates. More detail is provided in the respective Section A's of this report. The return on the Funding Value of Assets was roughly 1.7% for General, 1.6% for Police and 1.3% for Fire, net of investment expenses. The projected return was 8.00%.

The aggregate effect of overall System experience was a gain of \$4.6 million, caused mostly by lower than expected salary increases and payroll savings due to staff reductions and the new definition of compensation, offset by unfavorable recognized investment return. The changes in benefit provisions and assumptions are not considered gains or losses. We also combined amortization bases established prior to 2010 in order to smooth contribution rate volatility associated with the previously established amortization periods.

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. Of the last 17 years, roughly half have produced favorable experience and half have produced unfavorable experience. 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

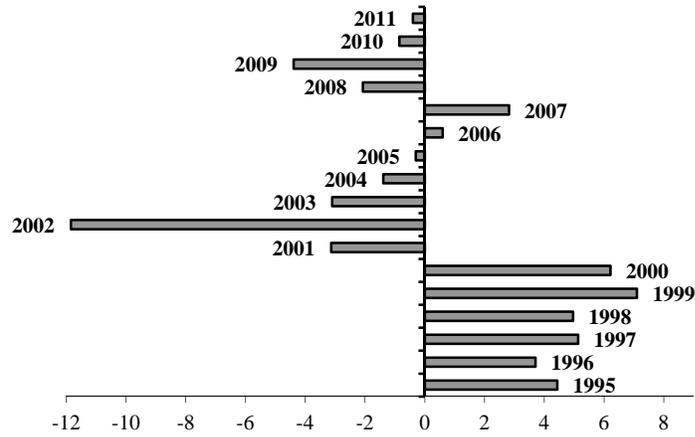
Experience Gains and Losses*
(Amounts in Millions)



* Years prior to 2000 include Police and Fire.

Police

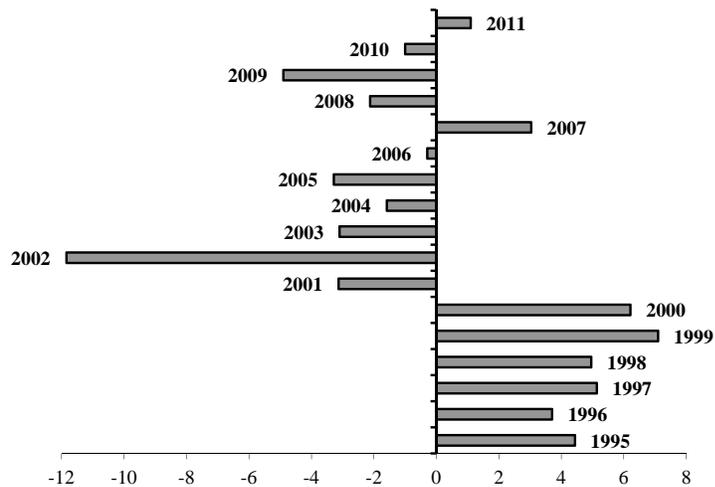
Experience Gains and Losses* (Amounts in Millions)



* 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.

SUPPLEMENTAL PENSION DISTRIBUTION

General

There is no supplemental pension distribution payable this year. This provision has been removed.

Police

There is no supplemental pension distribution payable this year. This provision has been removed.

Fire

There is no supplemental pension distribution payable this year. This provision has been removed.

CHAPTER 185 – POLICE

\$118,579 is being held as a liability in this report.

CHAPTER 175 SHARE ACCOUNTS - FIRE

Share Accounts totaling \$2,098,298 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 the overpayments by the Town during the fiscal year ending September 30, 2011, 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	\$618,534
Ocean Rescue	738
Police Officers	558,807
Firefighters	620,112

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, 2011 following the transfers should be as follows:

<u>Division</u>	<u>Retirement Reserve Fund</u>
General	\$51,355,684
Ocean Rescue	<u>3,714,737</u>
	\$55,070,421

Police

The balance in the Retirement Reserve Fund as of October 1, 2011 following the transfer should be \$55,775,417.

Fire

The balance in the retirement reserve fund as of October 1, 2011 following the transfers should be \$58,843,219.

NEXT YEAR'S EXPERIENCE INDICATORS

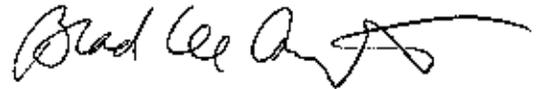
Due to the Boards' use of a five-year smoothed market asset valuation method, less than expected market returns were only partially recognized, and combined with the scheduled phase-in of the prior four years unrecognized investment income. Subsequently, investment losses are scheduled for the next three years. This will exert significant and sustained upward pressure on future computed employer contribution rates and downward pressure on the funded ratio in the next few reports in the absence of considerable future gains. We recognize that investment markets have recovered somewhat and outperformed expectations for new money invested since the valuation date, but this has yet to reach a point where assets held for longer periods can be considered recovered.

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.

6/12/2012

Date



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

SECTION I
GENERAL REPORT

Outline of Contents

Report of September 30, 2011 Actuarial Valuation

Pages	Items
A	Detailed Valuation Results
1-2	Contribution Requirement
3	Contribution Comparative Statement
4-5	Funding Progress Indicators
6	Experience Gain/(Loss)
7	Funding Value of Assets
8-9	Supplemental Pension Distribution
10-12	Unfunded Actuarial Accrued Liability
13	Actuarial Balance Sheet
B	Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
1-4	Summary of Benefit Provisions
5-7	Financial Data
8-16	Participant Data
C	Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board
1-2	GASB Statement No. 25 Required Supplementary Information
D	State Required Data
1	Actuarial Present Value of Accrued Benefits
2	Summary of Valuation Results in State Format
3	Reconciliation of Membership Data
4-5	Number Eligible/ Number Electing Normal Retirement

SECTION A

DETAILED VALUATION RESULTS

**Contributions to Finance Benefits of the Retirement System
For the Plan Year Beginning October 1, 2012
to be Contributed During the Fiscal Year Beginning October 1, 2012**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll	
	General	Ocean Rescue
Normal Cost		
Service pensions	5.55 %	8.74 %
Disability pensions	0.76	1.12
Death in service pensions	0.52	0.69
Deferred service pensions	0.28	0.85
Refunds of member contributions	<u>0.51</u>	<u>0.44</u>
Total Normal Cost	7.62	11.84
Unfunded Actuarial Accrued Liability *		
Retired members and beneficiaries	0.00	0.00
Active and vested terminated members	<u>6.03</u>	<u>38.76</u>
Total Unfunded Actuarial Accrued Liability	6.03	38.76
Administrative Expenses	0.53	0.53
Total Unadjusted Computed Contribution	14.18	51.13
Adjustments to Computed Contribution		
FS 112.64(5) Compliance	0.81	16.87
Full funding credit	<u>0.00</u>	<u>0.00</u>
Total adjustments	0.81	16.87
Total Adjusted Contribution Requirement	14.99	68.00
Member portion	3.12	4.41
Public portion	11.87	63.59

* Please refer to pages A-11 and A-12 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 1.068254, (1.045^{1.5}), which is consistent with the projection used to calculate actuarial liability.

General	Ocean Rescue	Total
\$1,223,869	\$125,294	\$1,349,162 *

* *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 0.64% (.0064) 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	
85/86	1984	12.86	
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 (b)	2001	8.09	12.17
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 (b)	2011	35.35	73.44
12/13 (a)	2011	11.87	63.59

(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
1987 (a)	\$911	\$ 31,025	\$ 34,101	91 %	\$ 3,076	\$ 9,231	33 %
1988	131	34,191	37,397	91	3,206	9,706	33
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

(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, 2011

	Division	
	General	Ocean Rescue
DERIVATION		
(1) UAAL at start of year	\$18,080,433	\$1,257,751
(2) Employer normal cost for year	1,781,870	47,379
(3) Employer contributions	2,927,020	148,364
(4) Interest accrued: .08 x [(1) + 1/2 ((2)-(3))]	1,400,629	96,581
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	18,335,912	1,253,347
(6) Effect of assumption/method changes	(1,911,829)	14,281
(7) Effect of benefit changes	(4,851,696)	(230,416)
(8) Addition to supplemental pension reserve	0	0
(9) Expected UAAL after changes	11,572,387	1,037,212
(10) Actual UAAL	7,564,873	1,162,923
(11) Gain/(loss): (9) - (10)	4,007,514	(125,711)

UAAL represents Unfunded Actuarial Accrued Liability.

Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2010	2011	2012	2013	2014
A. Funding Value Beginning of Year	\$72,370,336	\$73,808,793			
B. Market Value End of Year	65,242,348	64,715,832			
C. Market Value Beginning of Year	60,308,613	65,242,348			
D. Non-Investment Net Cash Flow:					
(EE+ER conts.) - (Refunds+Benefits+SPD+Adm.Exp.)	(670,395)	(792,238)			
	8.00%	8.00%			
E. Investment Income					
E1. Market Total: B - C - D	5,604,130	265,722			
E2. Amount for Immediate Recognition at 8%	5,762,811	5,873,014			
E3. Amount for Phased-In Recognition: E1-E2	(158,681)	(5,607,292)			
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.20 x E3	(31,736)	(1,121,458)			
F2. First Prior Year	(589,290)	(31,736)	\$ (1,121,458)		
F3. Second Prior Year	(3,771,110)	(589,290)	(31,736)	\$ (1,121,458)	
F4. Third Prior Year	870,596	(3,771,110)	(589,290)	(31,736)	\$ (1,121,458)
F5. Fourth Prior Year	(132,419)	870,594	(3,771,111)	(589,293)	(31,737)
F6. Adjustment to Recognize 20% Corridor	0	0	0	0	0
F7. Total Recognized Investment Gain/(Loss)	(3,653,959)	(4,643,000)	(5,513,595)	(1,742,487)	(1,153,195)
G. Funding Value End of Year: A + D + E2 + F7	73,808,793	74,246,569			
H. Difference between Market & Funding Value	(8,566,445)	(9,530,737)			
I. Recognized Rate of Return	2.93%	1.68%			
J. Recognized Rate of Investment Expenses	0.35%	0.40%			
K. Ratio of Funding Value to Market Value	113.1%	114.7%			

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.

Calculation of Supplemental Pension Distribution Amount - Sec. 82-72 as of September 30, 2011

	General	Ocean Rescue
Factor (i): Actuarial present value of future payments to 168 general and 10 Ocean Rescue pension recipients on 9/30/11 using 8%	\$43,620,367	\$3,151,950
Factor (ii): (a) Gross rate of investment return 10/1/10 through 9/30/11 estimated by actuary. If this rate is over 8%, the actual rate used will be as determined by the Board's investment consultant.	1.0%	(2.0)%
(b) Lesser of (a) and 10%	1.0%	(2.0)%
 Preliminary Distribution Amount (prior to experience gain limitation):		
Factor (i) x [(Factor (ii) - 8%) > 0]	0	0
 Expenses:		
Expense rate (administrative and investment)	0.536%	0.536%
Preliminary Distribution Amount x Expense rate	0	0
 Amount Available for Distribution:		
(a) Unamortized Balances of Accumulated net experience gains (page A-9)	(21,465,299)	(1,886,447)
(b) Unamortized Balances of Accumulated distributions (page A-9)	0	0
(c) Accumulated net gains less Accumulated distributions: [(a) - (b)] > 0	(21,465,299)	(1,886,447)
(d) Amount available for distribution	0	0

Supplemental Pension Distribution Accumulated Gain/(Loss) Limitation

General

Year Ended September 30	Experience Gain/(Loss)		Addition to Supplemental Pension Distribution Reserve		Net Unamortized Balance
	For Year	Unamortized Balance	For Year	Unamortized Balance	
2002	\$ (7,969,192)	\$ (8,781,084)	\$ 0	\$ 0	\$ (8,781,084)
2003	(911,351)	(9,959,283)	0	0	(9,959,283)
2004	(2,020,748)	(12,271,845)	0	0	(12,271,845)
2005	(1,900,807)	(14,521,419)	0	0	(14,521,419)
2006	640,556	(14,281,157)	0	0	(14,281,157)
2007	3,267,590	(11,384,133)	0	0	(11,384,133)
2008	(4,355,167)	(15,997,418)	0	0	(15,997,418)
2009	(6,350,288)	(22,723,837)	0	0	(22,723,837)
2010	(1,295,349)	(25,441,466)	0	0	(25,441,466)
2011	4,007,514	(21,465,299)	0	0	(21,465,299)

Ocean Rescue

Year Ended September 30	Experience Gain/(Loss)		Addition to Supplemental Pension Distribution Reserve		Net Unamortized Balance
	For Year	Unamortized Balance	For Year	Unamortized Balance	
2002	\$ (303,443)	\$ (469,956)	\$ 0	\$ 0	\$ (469,956)
2003	(281,751)	(765,841)	0	0	(765,841)
2004	(79,622)	(868,017)	0	0	(868,017)
2005	(209,950)	(1,102,618)	0	0	(1,102,618)
2006	32,393	(1,100,793)	0	0	(1,100,793)
2007	180,537	(949,113)	0	0	(949,113)
2008	(258,699)	(1,235,712)	0	0	(1,235,712)
2009	(393,013)	(1,658,040)	0	0	(1,658,040)
2010	(72,569)	(1,758,980)	0	0	(1,758,980)
2011	(125,711)	(1,886,447)	0	0	(1,886,447)

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

	<u>2011</u>		<u>2010</u>	
	<u>General</u>	<u>Ocean Rescue</u>	<u>General</u>	<u>Ocean Rescue</u>
A. Actuarial present value of future benefits	\$84,737,926	\$4,733,691	\$112,166,486	\$5,521,639
B. Actuarial present value of future normal costs	6,293,627	203,625	23,740,477	800,671
C. Actuarial accrued liability	78,444,299	4,530,066	88,426,009	4,720,968
D. Actuarial value of assets	70,879,426	3,367,143	70,345,576	3,463,217
E. Unfunded actuarial accrued liability	7,564,873	1,162,923	18,080,433	1,257,751
F. Funded ratio	90.4%	74.3%	79.6%	73.4%

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	
Initial Unfunded								
2011	21	21		\$ 17,009,216	15.157129	\$ 1,122,192	10.89 %	2.05 %
(Gain)/Loss Experience								
2010	30	29	\$ 1,295,349	1,326,696	18.678061	71,030	0.69	0.17
2011	30	30	(4,007,514)	(4,007,514)	19.056458	(210,297)	(2.04)	(0.53)
Benefit Changes								
2010	30	29	(4,737,059)	(4,851,696)	18.678061	(259,754)	(2.52)	(0.63)
Assumption/Method Changes								
2010	30	29	(1,756,913)	(1,799,430)	18.678061	(96,339)	(0.93)	(0.24)
2011	30	30	(112,399)	(112,399)	19.056458	(5,898)	(0.06)	(0.01)
Totals				\$ 7,564,873		\$ 620,934	6.03 %	0.81 %

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	
Initial Unfunded								
2011	20	20		\$ 1,179,022	14.648132	\$ 80,490	39.28 %	17.09 %
(Gain)/Loss Experience								
2010	30	29	\$ 72,569	74,325	18.678061	3,979	1.94	1.19
2011	30	30	125,711	125,711	19.056458	6,597	3.22	2.02
Benefit Changes								
2010	30	29	(224,972)	(230,416)	18.678061	(12,336)	(6.02)	(3.67)
Assumption/Method Changes								
2010	30	29	(47,583)	(48,735)	18.678061	(2,609)	(1.27)	(0.78)
2011	30	30	63,016	63,016	19.056458	3,307	1.61	1.02
Totals				\$ 1,162,923		\$ 79,428	38.76 %	16.87 %

Actuarial Balance Sheet - September 30, 2011

Present Resources and Expected Future Resources

	General	Ocean Rescue
A. Funding Value of System Assets:		
1. Net assets from System financial statements (market value)	\$ 61,780,916	\$2,934,916
2. Funding value adjustment	9,098,510	432,227
3. Funding value of assets	70,879,426	3,367,143
B. Actuarial Present Value of Expected Future Employer Contributions:		
1. For normal costs	3,473,744	115,685
2. For unfunded actuarial accrued liability	7,564,873	1,162,923
3. Totals	11,038,617	1,278,608
C. Actuarial Present Value of Expected Future Member Contributions	2,819,883	87,940
D. Total Present and Expected Future Resources	\$84,737,926	\$4,733,691

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirants and beneficiaries	\$ 51,355,684	\$ 3,714,737
B. To vested terminated members	2,180,973	0
C. To present active members:		
1. Allocated to service rendered prior to valuation date	24,289,108	814,591
2. Allocated to service likely to be rendered after valuation date	6,293,627	203,625
3. Totals	30,582,735	1,018,216
D. Reserve for Employer Contributions	618,534	738
E. Reserve for Supp. Pens. Dist. - 13th check	0	0
F. Total Actuarial Present Value of Expected Future Benefit Payments	\$84,737,926	\$4,733,691

SECTION B

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

Summary of Benefit Provisions (September 30, 2011)

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.

New Plan benefits accrued after April 30, 2012.

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

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

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 – 98% 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

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. This provision is no longer in effect after April 30, 2012.

MEMBER CONTRIBUTIONS:

Benefit Group	Contribution Rate as a Percent of Payroll	
	Before May 1, 2012	On and After May 1, 2012
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)

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Cash	\$ 657,033	\$ 7,307,258
Accrued interest and dividends	4,543	5,580
Other short-term	0	0
Bonds - government	0	0
- corporate	0	0
- mutual funds	19,826,284	18,092,039
- mortgage	0	0
Stocks - common	8,699,831	8,799,244
- preferred	0	0
Stock mutual funds	28,968,491	23,808,395
Accounts payable	(74,817)	(77,332)
Other	6,634,467	7,307,164
Total Assets	\$64,715,832	\$65,242,348

Accounting Information Utilized for Valuation

REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>September 30, 2011</u>	<u>Year Ended</u> <u>September 30, 2010</u>
Revenues:		
a. Member contributions:		
- General	\$ 833,715	\$ 1,085,608
- Ocean Rescue	20,637	29,740
b. Town contributions:		
- General	2,927,020	2,507,174
- Ocean Rescue	148,364	109,310
c. Investment income:		
1. Interest	15,042	5,955
2. Dividends	104,544	95,747
3. Amortization of premiums/discounts	0	0
4. Gain or (loss) on sales	1,236,855	5,971,324
5. Other – unrealized gain (loss)	(795,636)	(220,160)
d. Total revenues	<u>4,490,541</u>	<u>9,584,698</u>
Expenditures:		
a. Refunds of member contributions:		
- General	66,994	281,605
- Ocean Rescue	0	0
b. Benefits paid:		
- General	4,311,762	3,829,305
- Ocean Rescue	290,244	245,680
c. Supplemental pension distribution	0	0
d. Administrative expenses	52,974	45,637
e. Investment expenses	295,083	248,736
f. Other	0	0
g. Total expenditures	<u>5,017,057</u>	<u>4,650,963</u>
Reserve Increase:		
Total revenues minus total expenditures	<u><u>\$(526,516)</u></u>	<u><u>\$4,933,735</u></u>

Accounting Information Submitted for Valuation

RESERVE ACCOUNTS*

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Employees' contributions (Members' Saving Fund):		
General	\$ 7,401,614	\$ 7,457,767
Ocean Rescue	209,768	270,075
Totals	<u>7,611,382</u>	<u>7,727,842</u>
Employer contributions (Employer Reserve Fund):		
General	7,128,329	9,824,735
Ocean Rescue	(688,080)	(8,786)
Totals	<u>6,440,249</u>	<u>9,815,949</u>
Retired members and beneficiaries (Retirement Reserve Fund):		
General	46,602,513	44,341,343
Ocean Rescue	3,413,228	2,799,978
Totals	<u>50,015,741</u>	<u>47,141,321</u>
Inactive members (Deferred Retirement Fund):		
General	648,460	557,236
Ocean Rescue	0	0
Totals	<u>648,460</u>	<u>557,236</u>
Total		
General	61,780,916	62,181,081
Ocean Rescue	2,934,916	3,061,267
Totals	<u>\$ 64,715,832</u>	<u>\$ 65,242,348</u>

* Before transfers in accordance with Section 82-82(b) of Retirement Ordinance (please refer to page A-3).

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
1981	11	6	5	128,569	124	816,114	6,582
1982	8	6	2	45,959	126	862,073	6,842
1983	6	3	3	42,198	129	904,271	7,010
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

* 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	
9/30/1981	18.7	2.6		15.7	
9/30/1982	5.6	2.3		13.0	
9/30/1983	4.9	2.5		11.7	
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

* 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, 2011
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	43	\$ 939,393	2	\$ 67,446
Joint and Survivor Benefits - Regular	62	2,090,137	5	152,801
Surviving Beneficiaries	23	301,360	0	0
DROP members	24	889,209	2	69,296
Total Age and Service Benefits	152	4,220,099	9	289,543
Duty Disability Benefits				
Straight Life	1	9,896	0	0
Surviving Beneficiaries	1	5,672	0	0
Total Duty Disability Benefits	2	15,568	0	0
Non-Duty Disability Benefits				
Straight Life	2	135,334	1	29,833
Joint and Survivor Benefits	3	109,426	0	0
Surviving Beneficiaries	4	50,460	0	0
Total Non-Duty Disability Benefits	9	295,220	1	29,833
Death-in-Service Benefits				
Non-Duty Spouse	5	65,057	0	0
Total Death-in-Service Benefits	5	65,057	0	0
Totals	168	\$ 4,595,944	10	\$ 319,376

**Retired Member and Beneficiary Data as of September 30, 2011
(Includes DROP Participants)
Tabulated by Attained Age**

Attained Age	General		Ocean Rescue	
	No.	Annual Pensions	No.	Annual Pensions
40 - 44	1	\$ 15,188		
45 - 49	2	31,943	1	\$ 26,070
50 - 54	10	361,662	5	180,594
55 - 59	31	998,611		
60 - 64	26	1,004,187	1	29,833
65 - 69	31	925,343		
70 - 74	22	522,298		
75 - 79	18	375,391	2	62,564
80 - 84	14	250,585		
85 - 89	10	69,539	1	20,315
90 - 94	2	29,571		
95 - 99	1	11,626		
Totals	168	\$4,595,944	10	\$319,376

	General	Ocean Rescue
Average Age at Retirement:	57.8 years	50.2 years
Average Age Now:	68.4	61.3

Vested Terminated Members as of September 30, 2011
Annual Estimated Pensions
Tabulated by Attained Age

Attained Age	No.	General Annual Estimated Pensions
40	1	\$ 18,159
41	1	26,390
44	1	6,552
49	2	44,854
51	4	116,131
52	1	14,626
54	1	29,701
Totals	11	\$256,413

General

Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1992	214	2		\$ 6,553,322	42.4 yrs.	8.5 yrs.	\$30,623
1993	205	2		6,404,153	43.6	9.1	31,240
1994	200	2		6,484,548	43.8	9.3	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

Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Normal/Early Retirement				Disability		Died-in-		Withdrawal		Active Members End of Year
		A				Retirement		Service				
		DROP	Other	Totals	E	A	E	A	E	A	E	
2002	21	4	2	6	3.1		0.3		0.3	17	17.0	206
2003	15				4.4		0.2		0.3	9	15.8	212
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

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
1992	9	0		\$204,155	32.9 yrs.	5.4 yrs.	\$26,684
1993	10	0		257,970	33.0	5.8	25,797
1994	9	0		246,947	34.0	7.1	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

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				Retirement		Service				
		DROP	Other	Totals	E	A	E	A	E	A	E	
2002		1	1	2	0.5					1	0.3	7
2003	2										0.1	9
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		0.0			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

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
25-29	4	3						7	\$ 267,669
30-34	5	4	2					11	627,876
35-39	2	11	5	4				22	1,440,404
40-44	4	3	4	7				18	1,100,521
45-49	7	7	6	4	7	1		32	2,214,127
50-54	6	6	9	5	6	4		36	2,455,861
55-59	3	9	4	5	2			23	1,570,166
60-64	2	5	3					10	729,633
65-69	1	2	1	1				5	314,984
Totals	34	50	34	26	15	5		164	\$10,721,241

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	\$ 46,198
40-44				1	1			2	107,631
45-49		1						1	51,098
Totals		2		1	1			4	\$204,927

SECTION C

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

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
2002	\$ 52,316	\$53,071	98.6 %	\$ 755	\$ 9,380	8.0 %
2003	53,798	56,652	95.0	2,854	10,223	27.9
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	74,247	82,974	89.5	8,727	10,926	79.9

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#
2003	11.04 (a)	\$ 1,047	\$ 952	100 %
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	23.85	2,993		
2013	12.84	1,349		

(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, 2011
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization periods*	20-30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	8.3% to 4.7%
Includes inflation and other general increases at	4.5%
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, 2011, the date of the latest actuarial valuation:

	General	Ocean Rescue	Totals
Retirees and beneficiaries receiving benefits	168	10	178
Terminated plan members entitled to but not yet receiving benefits	11	0	11
Active plan members			
Vested	80	2	82
Non-vested	84	2	86
Totals	343	14	357

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

SECTION D

STATE REQUIRED DATA

Actuarial Present Value of Future Benefits

	September 30, 2011				September 30, 2010	
	Mortality Change		Before		General	Ocean Rescue
	General	Ocean Rescue	General	Ocean Rescue		
(i) Actuarial present value of active member benefits:						
Service retirement	\$ 28,420	\$ 935	\$28,127	\$911	\$ 58,014	\$ 2,164
Vested termination benefits	248	10	247	10	1,242	47
Disability retirement	1,027	42	1,032	41	937	30
Survivor benefits (pre-retirement)	854	31	1,168	50	2,848	55
Termination benefits - refunds	34	0	33	0	320	9
Totals	30,583	1,018	30,608	1,012	63,361	2,305
(ii) Actuarial present value of terminated vested members	2,181	0	2,135	0	1,647	0
(iii) Actuarial present value of retired members & beneficiaries	51,356	3,715	51,514	3,657	47,154	3,216
(iv) Reserves	619	1	619	1	4	1
(v) Total actuarial present value of future benefit payments	84,739	4,734	84,257	4,669	112,166	5,522
(vi) Present value of active member future payroll	97,187	2,377	96,544	2,368	104,965	2,674
(vii) Present value of future active member contributions	2,820	88	2,801	88	6,791	193
(viii) Active member accumulated contributions	7,513	211	7,513	211	7,301	260
(ix) Actuarial accrued liability using projected unit credit funding method	57,575	4,147	57,623	4,122	83,975	4,625

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

	September 30, 2011				September 30, 2010	
	Mortality 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	\$ 51,356	\$ 3,715	\$ 51,514	\$ 3,657	\$ 47,154	\$ 3,216
Terminated members	2,181	-	2,135	-	1,647	-
Active members (includes non-forfeitable accum. member contributions)	21,530	635	21,548	631	21,046	927
Total	75,067	4,350	75,197	4,288	69,847	4,143
(ii) Non-vested accrued benefits	-	-	-	-	4,219	150
(iii) Total actuarial p.v. of accrued benefits	75,067	4,350	75,197	4,288	74,066	4,293
(iv) Actuarial p.v. of accrued benefits at begin. of year	68,627	4,045	68,627	4,045	69,391	4,094
(v) Changes attributable to:						
Amendments	-	-	-	-	-	-
Assumption change	(130)	62	-	-	-	-
Operation of decrements	10,882	533	10,882	533	8,504	445
Benefit payments	(4,312)	(290)	(4,312)	(290)	(3,829)	(246)
Expenses	-	-	-	-	-	-
(vi) Net change	6,440	305	6,570	243	4,675	199
(vii) Actuarial p.v. of accr. benefits at end of year	75,067	4,350	75,197	4,288	74,066	4,293
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate						
(i) Vested	\$ 78,071	\$ 4,356	\$ 78,206	\$ 4,293		
(ii) Non-Vested	0	0	0	0		
(iii) Total	78,071	4,356	78,206	4,293		
(iv) Market Value of Assets (MVA)	61,781	2,935	61,781	2,935		
(v) Funded Ratio Using FRS Interest Rate and MVA	79.13%	67.38%	79.00%	68.36%		

Reconciliation of Membership Data

A. Active Members	General	Ocean Rescue
1. Number Included in Last Valuation	175	7
2. New Members Included in Current Valuation	7	
3. Non-Vested Employment Terminations	(6)	(2)
4. Vested Employment Terminations	(1)	
5. Service Retirements	(3)	
6. DROP Retirements	(7)	(1)
7. Disability Retirements	(1)	
8. Deaths		
9. Other (Transfer)		
10. Number Included in This Valuation	164	4
B. Terminated Vested Members		
1. Number Included in Last Valuation	9	0
2. Additions from Active Members	1	
3. Lump Sum Payments		
4. Payments Commenced		
5. Deaths		
6. Other	1	
7. Number Included in This Valuation	11	0
C. Service Retirees, Disability Retirees and Beneficiaries		
1. Number Included in Last Valuation	157	9
2. Additions from Active Members	11	1
3. Additions from Terminated Vested Members		
4. Removed (Deaths, Benefit Termination, Data Corrections)	(3)	
5. Added (Beneficiaries/Data Corrections)	3	
6. Number Included in this Valuation	168	10

**Number Eligible/Number Electing Normal Retirement
During Year Ended September 30, 2011**

GENERAL

Age	Number Eligible	Number Electing Normal Retirement	
		DROP	Regular
54	1		1
55	2	1	
56	7	2	
57	1		
58	3		
59	4	1	
60	1	1	
61	1		
64	1		
66	2		1
67	1	1	
72	1	1	
Totals	25	7	2

**Number Eligible/Number Electing Normal Retirement
During Year Ended September 30, 2011**

OCEAN RESCUE

Age	Number Eligible	Number Electing Normal Retirement	
		DROP	Regular
50	1	1	
Totals	1	1	0

SECTION II
POLICE OFFICERS

Outline of Contents

Report of September 30, 2011 Actuarial Valuation

Pages	Items
A	Detailed Valuation Results
1-3	Contribution Requirement
4	Contribution Comparative Statement
5-6	Funding Progress Indicators
7	Experience Gain/(Loss)
8	Funding Value of Assets
9-10	Supplemental Pension Distribution
11-12	Unfunded Actuarial Accrued Liability
13	Actuarial Balance Sheet
B	Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
1-3	Benefit Provisions
4-6	Financial Data
7-13	Participant Data
C	Certain Disclosures Required by the Governmental Accounting Standards Board
1-2	GASB Statement No. 25 Required Supplementary Information
D	State Required Data
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

SECTION A

DETAILED VALUATION RESULTS

**Contributions To Finance Benefits of the Retirement System
For the Plan Year Beginning October 1, 2012
To be Contributed During the Fiscal Year Beginning October 1, 2012**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll
Normal Cost	
Service pensions	6.12 %
Disability pensions	1.54
Death in service pensions	0.76
Deferred service pensions	0.50
Refunds of member contributions	0.46
Total Normal Cost	9.38
Unfunded Actuarial Accrued Liability (1)	
Retired members and beneficiaries	0.00
Active and vested terminated members	16.81
Total Unfunded Actuarial Accrued Liability	16.81
Administrative Expenses	3.90
Total Unadjusted Computed Contribution	30.09
Adjustments to Computed Contribution	
FS 112.64(5) Compliance	0.00
Town funding for additional premium tax revenue shortfall in prior fiscal year	0.00
Full funding credit	0.00
Total adjustments	0.00
Total Adjusted Contribution Requirement	30.09
Member portion	5.05
Chapter 185 portion (FY97/98 frozen dollars)	0.00
Additional Premium Tax Revenue	0.00
Town portion	25.04

(1) Please refer to page A-12 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 9/30/10	\$118,579	
B. Chapter 185 receipts during fiscal year ending 9/30/11	210,019	\$2,802,299
C. Chapter 185 "frozen" receipts during fiscal year ending 9/30/11	165,389	2,150,057
D. Qualifying benefit improvements since Chapter 99-1 effective date	124,574	\$994,136
E. Additional premium tax revenues as of 9/30/2011 A + [B - C - D, not less than 0]	118,579	0

BENEFITS ADOPTED

Minimum Compliance

A. 10 year certain & life normal form (\$9,168 per year).

Extra Benefits

A. 3.25% multiplier, 20 & out (\$115,406 per year), 3.5% multiplier is funded by Town.

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 25.04% 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 1.068254, (1.045^{1.5}), which is consistent with the projection used to calculate actuarial liability.

Total Public Contribution Requirement	\$1,257,107
Chapter 185 Premium "frozen"	-
Funding from Add. Premium Tax Revenue	-
Illustrative Base Town Contribution	\$1,257,107

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 0.64% (.0064) 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*
	83/84	1982
84/85	1983	22.46
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	46.89
12/13	2011	62.91
12/13 (a)	2011	25.04

(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
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 (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	(420)	63,554	80,651	79	17,096	5,222	327
2011 (a)	(420)	63,554	72,421	88	8,866	5,222	170

(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, 2011**

DERIVATION

(1) UAAL at start of year	\$12,614,268
(2) Employer Normal cost for year	1,753,482
(3) Employer contributions	2,496,264
(4) Interest accrued .08 x [(1) + 1/2 ((2)-(3))]	979,430
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	12,850,916
(6) Effect of accounting/timing differences	0
(7) Effect of assumption/method changes	(245,551)
(8) Effect of benefit changes	(4,159,006)
(9) Addition to supplemental pension reserve	0
(10) Expected UAAL after changes	8,446,359
(11) Actual UAAL	8,866,490
(12) Gain/(loss) (10) - (11)	(420,131)

UAAL represents unfunded actuarial accrued liability.

Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2009	2010	2011	2012	2013	2014	2015
A. Funding Value Beginning of Year	\$ 61,667,825	\$ 63,000,012	\$ 64,079,418				
B. Market Value End of Year	52,565,185	55,461,520	54,154,099				
C. Market Value Beginning of Year	54,715,567	52,565,185	55,461,520				
D. Non-Investment Net Cash Flow	(1,063,232)	(924,705)	(1,520,399)				
E. Investment Income							
E1. Market Total: B - C - D	(1,087,150)	3,821,040	212,978				
E2. Amount for Immediate Recognition at 8.0%	4,890,897	5,003,013	5,065,537				
E3. Amount for Phased-In Recognition: E1 - E2	(5,978,047)	(1,181,973)	(4,852,559)				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.20 x E3	(1,195,609)	(236,395)	(970,512)				
F2. First Prior Year	(2,417,736)	(1,195,609)	(236,395)	\$ (970,512)			
F3. Second Prior Year	749,980	(2,417,736)	(1,195,609)	(236,395)	\$ (970,512)		
F4. Third Prior Year	100,856	749,980	(2,417,736)	(1,195,609)	(236,395)	\$ (970,512)	
F5. Fourth Prior Year	267,031	100,858	749,979	(2,417,734)	(1,195,611)	(236,393)	\$ (970,511)
F6. Adjustment to Recognize 20% Corridor	0	0	0				
F7. Total Recognized Investment Gain/(Loss)	(2,495,478)	(2,998,902)	(4,070,273)	(4,820,250)	(2,402,518)	(1,206,905)	(970,511)
G. Accelerated Recognition of Investment Income							
H. Funding Value End of Year: A + D + E2 + F7 Not to Exceed 120% of Market Value	63,000,012	64,079,418	63,554,283				
I. Difference between Market & Funding Value	(10,434,827)	(8,617,898)	(9,400,184)				
J. Recognized Rate of Return	3.92%	3.20%	1.57%				
K. Recognized Rate of Investment Expenses	0.33%	0.38%	0.38%				

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.

Calculation of Supplemental Pension Distribution Amount - Sec. 82-117 as of September 30, 2011*

Supplemental Pension Distribution

Factor (i): Actuarial present value of future payments to 88 police pension recipients on 9/30/11.	\$ 46,135,925
Factor (ii): (a) Gross rate of investment return 10/1/10 through 9/30/11 estimated by actuary. If this rate is over 8%, the actual rate used will be as determined by the Board's investment consultant.	0.8%
(b) Lesser of (a) and 10%	0.8%
 Preliminary Distribution Amount (prior to experience gain limitation):	
Factor (i) x [(Factor (ii) - 8%) > 0]	0
 Expenses:	
Expense rate (administrative and investment)	0.770%
Preliminary Distribution Amount x expense rate	0
 Amount Available for Distribution:	
(a) Unamortized Balances of Accumulated net experience gains (page A-10)	(16,049,760)
(b) Unamortized Balances of Accumulated distributions@ (page A-10)	0
(c) Accumulated net gains less Accumulated distributions [(a) - (b)] > 0	0
(d) Amount available for distribution#	0

* Pensions are subject to automatic post-retirement cost-of-living adjustments.

@ This amount does not include the supplemental pension distribution, if any, for the current year.

The lesser of Preliminary Distribution Amount less expenses and Accumulated net gains less accumulated distributions.

Supplemental Pension Distribution Accumulated Gain/(Loss) Limitation

Year Ended September 30	Experience Gain/(Loss)*		Addition to Supplemental Pension Distribution Reserve		Net Unamortized Balance
	For Year	Unamortized Balance	For Year	Unamortized Balance	
2001	\$ (1,246,618)	\$ (1,246,618)	\$ 0	\$ 0	\$ (1,246,618)
2002	(5,899,139)	(7,183,779)	0	0	(7,183,779)
2003	(1,178,853)	(8,580,196)	0	0	(8,580,196)
2004	(1,389,753)	(10,221,045)	0	0	(10,221,045)
2005	(330,356)	(10,582,751)	0	0	(10,582,751)
2006	631,390	(10,238,441)	0	0	(10,238,441)
2007	2,937,297	(7,560,975)	0	0	(7,560,975)
2008	(2,074,882)	(9,796,187)	0	0	(9,796,187)
2009	(4,392,377)	(14,400,790)	0	0	(14,400,790)
2010	(876,056)	(15,608,429)	0	0	(15,608,429)
2011	(420,131)	(16,049,760)	0	0	(16,049,760)

* All sources.

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

	<u>2011</u>	<u>2010</u>
A. Actuarial present value of future benefits	\$77,010,343	\$90,754,538
B. Actuarial present value of future normal costs	4,589,570	14,060,852
C. Actuarial accrued liability	72,420,773	76,693,686
D. Actuarial value of assets	63,554,283	64,079,418
E. Unfunded actuarial accrued liability	8,866,490	12,614,268
F. Funded ratio	87.8%	83.6%

**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	
Initial Unfunded								
2011	15	15		\$ 11,953,660	11.835720	\$ 1,009,965	20.12 %	0.00 %
(Gain)/Loss Experience								
2010	30	29	\$ 876,056	897,256	18.678061	48,038	0.96	0.00
2011	30	30	420,131	420,131	19.056458	22,047	0.44	0.00
Benefit Changes								
2010	30	29	(4,060,736)	(4,159,006)	18.678061	(222,668)	(4.44)	0.00
Assumption/Method Changes								
2010	30	29	(611,648)	(626,450)	18.678061	(33,539)	(0.67)	0.00
2011	30	30	380,899	380,899	19.056458	19,988	0.40	0.00
Totals				\$ 8,866,490		\$ 843,831	16.81	0.00

Actuarial Balance Sheet – September 30, 2011

Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net assets from System financial statements (market value)	\$54,154,099
2. Funding value adjustment	<u>9,400,184</u>
3. Funding value of assets	63,554,283
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For normal costs	1,387,318
2. For unfunded actuarial accrued liability	<u>8,866,490</u>
3. Totals	10,253,808
C. Actuarial Present Value of Expected Future Member Contributions	<u>3,202,252</u>
D. Total Present and Expected Future Resources	<u><u>\$77,010,343</u></u>

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirants and beneficiaries	\$55,775,417
B. To vested terminated members	166,469
C. To present active members:	
1. Allocated to service rendered prior to valuation date	15,801,501
2. Allocated to service likely to be rendered after valuation date	<u>4,589,570</u>
3. Totals	20,391,071
D. Reserve for Additional Premium Tax Revenues	118,579
E. Reserve for Employer Contributions	558,807
F. Reserve for supp. pens. dist. - 13th check	0
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$77,010,343</u></u>

SECTION B

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

Summary of Benefit Provisions (September 30, 2011)

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.

New Plan benefits accrued after April 30, 2012.

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

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

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:

Benefit Group	Contribution Rate as a Percent of Payroll	
	Before May 1, 2012	On and After May 1, 2012
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, 2011</u>	<u>September 30, 2010</u>
Cash	\$ 1,941,532	\$ 2,544,647
Accrued interest and dividends	60,937	65,808
Other receivables	608,362	105,000
Investments		
- US government securities	1,352,291	1,452,987
- Corporate bonds and notes	7,387,734	8,374,671
- Domestic fixed income funds	4,121,759	3,330,055
- Common stock	4,820,728	5,026,045
- Equities and equity funds	29,970,712	28,833,275
- Real estate funds	4,491,822	5,793,201
Accounts payable	(609,874)	(72,241)
Other	8,096	8,072
Total Assets	\$54,154,099	\$55,461,520

Accounting Information Utilized for Valuation

REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>9-30-2011</u>	<u>Year Ended</u> <u>9-30-2010</u>
Revenues:		
a. Member contributions	\$ 387,938	\$ 426,895
b. Town contributions	2,286,245	2,279,571
c. State contributions (Chapter 185)	210,019	211,524
d. Investment income		
1. Interest and Dividends	557,619	535,908
2. Amortization of premiums/discounts	-	-
3. Gain or (loss) on sales	(105,932)	3,525,600
e. Other - Transfer from Old Public Safety Fund	-	-
f. Total revenues	<u>3,335,889</u>	<u>6,979,498</u>
Expenditures:		
a. Refunds of member contributions	83,054	14,301
b. Benefits paid	4,138,445	3,639,601
c. Supplemental pension distribution	-	-
d. Administrative expenses	183,102	188,793
e. Investment expenses	238,709	240,468
f. Total expenditures	<u>4,643,310</u>	<u>4,083,163</u>
Reserve Increase:		
Total revenues minus total expenditures	<u>\$ (1,307,421)</u>	<u>\$ 2,896,335</u>

Accounting Information Submitted for Valuation

RESERVE ACCOUNTS*

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Employees' contributions (Members' Saving Fund):	\$ 534,051	\$ 3,467,555
Employer contributions (Employer Reserve Fund):	(2,321,838)	3,943,098
Retired members and beneficiaries (Retirement Reserve Fund):	55,775,417	45,010,988
Inactive members (Deferred Retirement Fund):	<u>166,469</u>	<u>143,544</u>
Total	\$ 54,154,099	\$ 52,565,185

* 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	
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	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

* 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
9/30/1992	15.5 %	1.5	21.5 %
9/30/1993	7.3	1.3	25.2
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)	1.0	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

** For the September 30, 2000 - 2010 valuations, general and lifeguard members are valued in a separate report. For the September 30, 2004 – 2010 valuations, fire members are valued in a separate report.

**Retired Member and Beneficiary Data as of September 30, 2011
By Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
Age & Service Benefits		
Straight Life	13	\$ 840,404
10 Year Certain	22	1,419,689
Joint and Survivor Benefits - Regular	30	982,052
Surviving Beneficiaries	10	152,683
Total Age and Service Benefits	<u>75</u>	<u>3,394,828</u>
Duty Disability Benefits		
Straight Life	0	0
10 Year Certain	0	0
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	8,378
Total Duty Disability Benefits	<u>1</u>	<u>8,378</u>
Non-Duty Disability Benefits		
Straight Life	0	0
10 Year Certain	1	51,271
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	14,496
Total Non-Duty Disability Benefits	<u>2</u>	<u>65,767</u>
Death-In-Service Benefits		
Non-Duty Spouse	1	38,701
Total Death in Service Benefits	<u>1</u>	<u>38,701</u>
Active DROP Members	9	793,958
Totals	88	\$ 4,301,632

**Retired Member and Beneficiary Data as of September 30, 2011
(Includes DROP Participants)
Tabulated by Attained Age**

Attained Age	No.	Annual Pensions
25 - 29	1	\$ 38,701
35 - 39	1	51,271
40 - 44	2	147,713
45 - 49	8	724,979
50 - 54	17	1,336,764
55 - 59	10	485,504
60 - 64	12	473,655
65 - 69	6	275,761
70 - 74	15	498,193
75 - 79	8	156,843
80 - 84	5	59,899
90 - 94	2	20,593
95 - 99	1	31,756
Totals	88	\$4,301,632

Average Age at Retirement: 49.2 years

Average Age Now: 63.5

**Vested Terminated Members as of September 30, 2011
Annual Estimated Pensions**

Tabulated by Attained Age

Attained Age	No.	Annual Estimated Pensions
41	1	\$23,802
Totals	1	\$23,802

Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1997	74	3		\$3,574,643	37.7 yrs.	9.4 yrs.	\$48,306
1998	76	3		3,718,805	37.2	9.7	48,932
1999	69	3		3,678,581	38.7	10.8	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

Number Added to and Removed from Active Membership

Year Ended Sept. 30	Number Added During Year	Retirement				Disability Retirement E	Died-in- Service A	Died-in- Service E	Withdrawal		Active Members End of Year
		A			E				A	E	
		DROP	Other	Totals							
2002	7	1	2	3	7.0	0.1	0.1		2.4	66	
2003	3		1	1	6.2	0.1	0.1	1	2.8	67	
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	3.0	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	60	

A represents actual number.

E represents expected number.

Active Member Data as of September 30, 2011

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	\$ 62,436
25-29	8	2						10	644,394
30-34	2	2	1					5	384,068
35-39	1	6	3					10	892,888
40-44	1	3	5	6	1			16	1,602,625
45-49		5	3	4				12	1,135,645
50-54	1	1						2	158,016
55-59	1							1	69,360
60+		2	1					3	272,374
Totals	15	21	13	10	1			60	\$5,221,806

SECTION C

CERTAIN DISCLOSURES REQUIRED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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
2002	\$ 86,446	\$88,991	97.1	\$ 2,545	\$7,769	32.8 %
2003	88,091	94,991	92.7	6,900	8,558	80.6
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

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 #	32.32 %	\$2,721	\$2,510	100 %
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	46.89	3,071		
2013 (a)	25.04	1,257		

(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, 2011 (Sixty-Fifth)
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization period*	15- 30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	8.3% to 4.7%
Includes inflation and other general increases at	4.5%
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, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	88
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	
Vested	24
Non-vested	36
	36
Totals	149

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

SECTION D

STATE REQUIRED DATA

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

	September 30, 2011		September 30, 2010
	Mortality Change	Before	
(i) Actuarial present value of active member benefits:			
Service retirement	\$17,948	\$17,537	\$41,460
Vested termination benefits	261	255	1,054
Disability retirement	1,409	1,382	603
Survivor benefits (pre-retirement)	732	1,071	450
Termination benefits - refunds	41	41	142
Totals	20,391	20,286	43,709
(ii) Actuarial present value of terminated vested members	166	168	155
(iii) Actuarial present value of retired member & beneficiary	55,775	55,473	46,697
(iv) Reserves	677	677	194
(v) Total actuarial present value of future benefit payments	77,010	76,604	90,755
(vi) Present value of active member future payroll	64,083	63,985	37,657
(vii) Present value of future active member contributions	3,202	3,197	2,628
(viii) Active member accumulated contributions	3,226	3,226	4,001
(ix) Actuarial accrued liability using projected unit credit funding method	60,910	60,416	74,931

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

	<u>September 30, 2011</u>		<u>September 30, 2010</u>
	<u>Mortality Change</u>	<u>Before</u>	
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)			
(i) Vested accrued benefits			
Retired members and beneficiaries	\$ 55,775	\$ 55,473	\$46,697
Terminated members	166	168	155
Active members (includes non-forfeitable accum. member contributions)	<u>13,936</u>	<u>13,864</u>	<u>19,498</u>
Total	69,877	69,505	66,350
(ii) Non-vested accrued benefits	<u>-</u>	<u>-</u>	<u>3,177</u>
(iii) Total actuarial p.v. of accrued benefits	69,877	69,505	69,527
(iv) Actuarial p.v. of accrued benefits at begin. of year	61,672	61,672	65,674
(v) Changes attributable to:			
Amendments	-		-
Assumption change	372		-
Operation of decrements	11,971	11,971	7,493
Benefit payments	(4,138)	(4,138)	(3,640)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
(vi) Net change	8,205	7,833	3,853
(vii) Actuarial p.v. of accr. benefits at end of year	69,877	69,505	69,527
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate			
(i) Vested	\$ 71,892	\$ 71,510	
(ii) Non-Vested	<u>0</u>	<u>0</u>	
(iii) Total	71,892	71,510	
(iv) Market Value of Assets (MVA)	54,154	54,154	
(v) Funded Ratio Using FRS Interest Rate and MVA	75.33	75.73	

Reconciliation of Membership Data

A. Active Members

1. Number Included in Last Valuation	68
2. New Members Included in Current Valuation	
3. Non-Vested Employment Terminations	
4. Vested Employment Terminations	
5. Service Retirements	
6. DROP Retirements	(7)
7. Disability Retirements	(1)
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>60</u>

B. Terminated Vested Members

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

C. Service Retirees, Disability Retirees and Beneficiaries

1. Number Included in Last Valuation	84
2. Additions from Active Members	8
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(5)
5. Added (Beneficiaries/Data Corrections)	<u>1</u>
6. Number Included in this Valuation	88

**Number Eligible/Number Electing Normal Retirement
During Year Ended September 30, 2011**

Age	Number Eligible	Number Electing Normal Retirement	
		DROP	Regular
42	1	1	
44	2	1	
46	1	1	
47	1	1	
49	1		
50	2	2	
54	1	1	
65	1		
Totals	10	7	0

SECTION III
FIREFIGHTERS

Outline of Contents

Report of September 30, 2011 Actuarial Valuation

Pages	Items
A	Detailed Valuation Results
1-3	Contribution requirement
4	Contribution comparative statement
5-6	Funding progress indicators
7	Experience gain/(loss)
8	Funding value of assets
9-10	Supplemental pension distribution
11-12	Unfunded actuarial accrued liability
13	Actuarial balance sheet
B	Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System
1-3	Benefit provisions
4-6	Financial data
7-13	Participant data
C	Certain Disclosures Required by Statement No. 25 of the Governmental Accounting Standards Board
1-2	GASB Statement No. 25 Required Supplementary Information
D	State Required Data
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

SECTION A

DETAILED VALUATION RESULTS

**Contributions To Finance Benefits of the Retirement System
For the Plan Year Beginning October 1, 2012
To be Contributed During the Fiscal Year Beginning October 1, 2012**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll
Normal Cost	
Service pensions	4.13 %
Disability pensions	1.53
Death in service pensions	0.74
Deferred service pensions	0.46
Refunds of member contributions	0.43
Total Normal Cost	7.29
Unfunded Actuarial Accrued Liability (1)	
Retired members and beneficiaries	0.00
Active and vested terminated members	21.62
Total Unfunded Actuarial Accrued Liability	21.62
Administrative Expenses	3.64
Total Unadjusted Computed Contribution	32.55
Adjustments to Computed Contribution	
FS 112.64(5) Compliance	0.00
Full funding credit	0.00
Total adjustments	0.00
Total Adjusted Contribution Requirement	32.55
Member portion	4.83
Chapter 175 portion (FY97/98 frozen dollars)	0.00
Additional Premium Tax Revenue	0.00
Town portion	27.72

(1) Please refer to page A-12 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 9/30/10 after transfer			\$ -			
B. Chapter 175 receipts during fiscal year ending 9/30/11	\$ 487,813	\$ 88,570	576,383	\$4,863,135	\$ 2,340,124	\$7,203,259
C. Chapter 175 "frozen" receipts during fiscal year ending 9/30/11	201,787	50,247	252,034	2,623,231	602,964	3,226,195
D. Qualifying benefit improvements since Chapter 99-1 effective date			97,920			796,836
E. Additional premium tax revenues as of 9/30/2011 A + [B - C - D, not less than 0]			226,429 *			3,180,228

Benefits Adopted

Minimum Compliance

A. 10 year certain & life normal form (\$6,738 per year).

Extra Benefits

A. 3.25% multiplier, 20 & Out. (\$91,182 per year). 3.5% multiplier funded by Town.

B. Share Accounts (excess per year, if any, over \$349,954).

** 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 27.72% 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 1.068254, (1.045^{1.5}), which is consistent with the projection used to calculate actuarial liability.

Total Public Contribution Requirement	\$1,370,637
Chapter 175 Premium "frozen"	-
Chapter 175 Supplemental "frozen"	-
Funding from Add. Premium Tax Revenue	-
Base Town Contribution	\$1,370,637

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 0.64% (.0064) for each month of delay.

Recommended Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions*
83/84	1982	22.77 %
84/85	1983	22.46
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	47.50
10/11	2009	51.06
11/12	2010	53.12
12/13	2011	69.34
12/13 (a)	2011	27.72

(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)		Ratio to Payroll
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	
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 (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	1,134	58,899	84,515	70	25,616	5,142	498
2011 (a)	1,134	58,899	72,928	81	14,029	5,142	273

(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, 2011**

DERIVATION

(1) UAAL at start of year	\$22,379,006
(2) Employer Normal cost for year	1,720,555
(3) Employer contributions for defined benefits	2,919,644
(4) Interest accrued .08 x [(1) + 1/2 ((2)-(3))]	1,742,357
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	22,922,274
(6) Effect of assumption changes	(568,289)
(7) Effect of cost method changes / accounting and timing differences	0
(8) Effect of benefit changes	(7,190,521)
(9) Addition to supplemental pension reserve	0
(10) Expected UAAL after changes	15,163,464
(11) Actual UAAL	14,029,022
(12) Gain/(loss) (10) - (11)	1,134,442

UAAL represents unfunded actuarial accrued liability.

Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2009	2010	2011	2012	2013	2014	2015
A. Funding Value Beginning of Year	\$57,652,278	\$57,851,762	\$59,218,895				
B. Market Value End of Year	48,209,802	51,533,882	50,211,355				
C. Market Value Beginning of Year	49,729,313	48,209,802	51,533,882				
D. Non-Investment Net Cash Flow	(651,462)	(390,976)	(1,064,825)				
E. Investment Income							
E1. Market Total: B - C - D	(868,049)	3,715,056	(257,702)				
E2. Amount for Immediate Recognition at 8.0%	4,586,124	4,612,502	4,694,919				
E3. Amount for Phased-In Recognition: E1 - E2	(5,454,173)	(897,446)	(4,952,621)				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.20 x E3	(1,090,835)	(179,489)	(990,524)				
F2. First Prior Year	(2,519,991)	(833,678)	(179,489)	\$ (990,524)			
F3. Second Prior Year	573,963	(2,519,991)	(833,678)	(179,489)	\$ (990,524)		
F4. Third Prior Year	104,803	573,963	(2,519,991)	(833,678)	(179,489)	\$ (990,524)	
F5. Fourth Prior Year	225,508	104,802	573,961	(2,519,992)	(833,678)	(179,490)	\$ (990,525)
F6. Adjustment to Recognize 20% Corridor	<u>(1,028,626)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F7. Total Recognized Investment Gain/(Loss)	(3,735,178)	(2,854,393)	(3,949,721)	(4,523,683)	(2,003,691)	(1,170,014)	(990,525)
G. Accelerated Recognition of Investment Income	0	0	0				
H. Funding Value End of Year: A + D + E2 + F7							
Not to Exceed 120% of Market Value	57,851,762	59,218,895	58,899,268				
I. Difference between Market & Funding Value	(9,641,960)	(7,685,013)	(8,687,913)				
J. Recognized Rate of Return	1.48%	3.05%	1.27%				
K. Recognized Rate of Investment Expenses	0.26%	0.30%	0.31%				

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.

Calculation of Supplemental Pension Distribution Amount - Sec. 82-97 as of September 30, 2011*

Factor (i): Actuarial present value of future payments to 92 fire pension recipients on 9/30/11 using 8%.	\$ 48,727,689
Factor (ii): (a) Gross rate of investment return 10/1/10 through 9/30/11 estimated by actuary. If this rate is over 8%, the actual rate used will be as determined by the Board's investment consultant.	(0.1)%
(b) Lesser of (a) and 10%	(0.1)%
 Preliminary Distribution Amount (prior to experience gain limitation):	
Factor (i) x [(Factor (ii) - 8%) > 0]	\$ -
 Expenses:	
Expense rate (administrative and investment)	0.694%
Preliminary Distribution Amount x Expense rate	\$ -
 Amount Available for Distribution:	
(a) Unamortized Balances of Accumulated net experience gains (page B-10)	\$ (27,673,255)
(b) Unamortized Balances of Accumulated distributions @ (page B-10)	0
(c) Accumulated net gains less Accumulated distributions: [(a) - (b)] > 0	0
(d) Amount available for distribution#	0

* Pensions are subject to automatic post-retirement cost-of-living adjustments.

@ This amount does not include the supplemental pension distribution, if any, for the current year.

The lesser of the Preliminary Distribution Amount less expenses and accumulated net gains less accumulated distributions.

Supplemental Pension Distribution Accumulated Gain/(Loss) Limitation

Year Ended September 30	Experience Gain/(Loss)*		Addition to Supplemental Pension Distribution Reserve		Net Unamortized Balance
	For Year	Unamortized Balance	For Year	Unamortized Balance	
2001	\$(1,885,924)	\$ (1,885,924)	\$ 0	\$ 0	\$ (1,885,924)
2002	(5,945,550)	(7,888,995)	0	0	(7,888,995)
2003	(1,908,839)	(10,036,116)	0	0	(10,036,116)
2004	(1,587,255)	(11,917,120)	0	0	(11,917,120)
2005	(3,286,941)	(15,541,592)	0	0	(15,541,592)
2006	(289,811)	(16,959,878)	0	0	(16,959,878)
2007	3,038,175	(15,885,596)	0	0	(15,885,596)
2008	(863,774)	(18,464,285)	0	0	(18,464,285)
2009	(5,021,804)	(25,366,833)	0	0	(25,366,833)
2010	(1,384,923)	(28,774,182)	0	0	(28,774,182)
2011	1,134,442	(27,673,255)	0	0	(27,673,255)

* All sources.

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

	<u>2011</u>	<u>2010</u>
A. Actuarial present value of future benefits	\$77,768,598	\$96,955,509
B. Actuarial present value of future normal costs	4,840,308	15,357,608
C. Actuarial accrued liability	72,928,290	81,597,901
D. Actuarial value of assets	58,899,268	59,218,895
E. Unfunded actuarial accrued liability	14,029,022	22,379,006
F. Funded ratio	80.8%	72.6%

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	
Initial Unfunded								
2011	20	20		\$ 21,503,836	14.648132	\$ 1,468,026	29.69 %	0.00 %
(Gain)/Loss Experience								
2010	30	29	1,384,923	1,418,438	18.678061	75,941	1.54	0.00
2011	30	30	(1,134,442)	(1,134,442)	19.056458	(59,531)	(1.20)	0.00
Benefit Changes								
2010	30	29	(7,020,622)	(7,190,521)	18.678061	(384,971)	(7.79)	0.00
Assumption/Method Changes								
2010	30	29	(740,005)	(757,913)	18.678061	(40,578)	(0.82)	0.00
2011	30	30	189,624	189,624	19.056458	9,951	0.20	0.00
Totals				\$ 14,029,022		\$ 1,068,838	21.62	0.00

Actuarial Balance Sheet - September 30, 2011

Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net Assets from System Financial Statements (Market Value)	\$50,211,355
2. Funding Value Adjustment	<u>8,687,913</u>
3. Funding Value of Assets	58,899,268
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For Normal Costs	1,379,310
2. For Unfunded Actuarial Accrued Liability	<u>14,029,022</u>
3. Totals	15,408,332
C. Actuarial Present Value of Expected Future Member Contributions	<u>3,460,998</u>
D. Total Present and Expected Future Resources	<u><u>\$77,768,598</u></u>

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To Retirants and Beneficiaries	\$58,843,219
B. To Vested Terminated Members	118,053
C. To Present Active Members:	
1. Allocated to Service Rendered Prior to Valuation Date	13,346,906
2. Allocated to Service likely to be Rendered After Valuation Date	<u>4,840,308</u>
3. Totals	18,187,214
D. Reserve for Additional Premium Tax Revenues	0
E. Reserve for Employer Contributions	620,112
F. Reserve for Supp. Pens. Dist. - 13th Check	0
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$77,768,598</u></u>

SECTION B

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

Summary of Benefit Provisions (September 30, 2011)

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.

New Plan benefits accrued after April 30, 2012.

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

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

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.

SUPPLEMENTAL PENSION DISTRIBUTION (REMOVED AFTER APRIL 30, 2012):

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:

Benefit Group	Contribution Rate as a Percent of Pay	
	Before May 1, 2012	On and After May 1, 2012
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

	September 30, 2011	September 30, 2010
Cash	\$ 7,390,281	\$ 2,228,868
Accrued interest and dividends	27,218	68,810
Other receivables	513,044	12,062
Investments		
- US government securities	0	7,285,500
- Corporate bonds and notes	5,126,516	5,779,732
- Domestic fixed income funds	0	0
- Common stock	4,196,458	4,257,105
- Equity funds	14,385,971	15,507,820
- Real estate funds	5,093,773	4,066,839
- Alternative investments	16,213,312	15,111,643
Accounts payable	(733,629) *	(589,757) **
Other	(2,001,589) #	(2,194,740) ##
Total Assets	\$50,211,355	\$51,533,882

* Includes DROP plan liabilities of \$85,324.

** Includes DROP plan liabilities of \$559,832.

Share Account assets of \$2,098,298 were excluded.

Share Account assets of \$2,307,053 were excluded.

Accounting Information Utilized for Valuation

Revenues and Expenditures

	<u>Year Ended</u> <u>9-30-2011</u>	<u>Year Ended</u> <u>9-30-2010</u>
Revenues:		
a. Member contributions	\$ 389,972	\$ 490,483
b. Town contributions	2,569,690	2,647,210
c. State contributions (Chapter 175)	349,954 *	349,954
d. Investment income		
1. Interest and dividends	359,503	394,358
2. Amortization of premiums/discounts	-	-
3. Gain or (loss)	(403,141)	3,538,601
e. Other - audit adjustment	-	-
f. Total revenues	<u>3,265,978</u>	<u>7,420,606</u>
Expenditures:		
a. Refunds of member contributions	-	21,600
b. Benefits paid	4,205,956	3,676,949
c. Supplemental pension distribution	-	-
d. Administrative expenses	168,485	180,074
e. Investment expenses	184,811	173,239
f. DROP & share account distributions/earnings	29,253	44,664
g. Total expenditures	<u>4,588,505</u>	<u>4,096,526</u>
Reserve Increase:		
Total revenues minus total expenditures	<u>\$ (1,322,527)</u>	<u>\$ 3,324,080</u>

* Amounts received in excess of \$349,954 were excluded, as were the aggregate share account assets of \$2,098,298.

Accounting Information Submitted for Valuation

Reserve Accounts*

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Employees' contributions (Members' Saving Fund)	\$ 123,627	\$ 4,035,134
Employer contributions (Employer Reserve Fund)	(8,873,544)	(892,975)
Retired members and beneficiaries (Retirement Reserve Fund)	58,843,219	48,286,001
Inactive members (Deferred Retirement Fund)	<u>118,053</u>	<u>105,722</u>
Total	\$ 50,211,355	\$ 51,533,882

* 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

Year Ended Sept. 30	Number		Historical Schedule*		End of Year		Average Pensions
	Added	Removed	Net Increase		No.	Annual Pensions	
			No.	Annual Pensions			
1982	8	6	2	\$ 45,959	126	\$ 862,073	\$ 6,842
1983	6	3	3	42,198	129	904,271	7,010
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

* 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
9/30/1992	15.5 %	1.3	28.3 %
9/30/1993	7.3	1.3	30.3
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	1.0	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

** 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, 2011
By Type of Pension Being Paid**

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
Age & Service Benefits		
Straight Life	5	\$ 201,087
10-Year Certain	22	1,483,740
Joint and Survivor Benefits - Regular	33	1,304,739
Surviving Beneficiaries	10	199,034
Total Age and Service Benefits	<u>70</u>	<u>3,188,600</u>
Duty Disability Benefits		
Straight Life	1	27,620
10-Year Certain	0	0
Joint and Survivor Benefits	1	46,367
Surviving Beneficiaries	0	0
Total Duty Disability Benefits	<u>2</u>	<u>73,987</u>
Non-Duty Disability Benefits		
Straight Life	0	0
10-Year Certain	3	122,108
Joint and Survivor Benefits	4	96,474
Surviving Beneficiaries	0	0
Total Non-Duty Disability Benefits	<u>7</u>	<u>218,582</u>
Death-In-Service Benefits		
Non-Duty Spouse	0	0
Total Death in Service Benefits	<u>0</u>	<u>0</u>
Active DROP Members	<u>13</u>	<u>1,066,832</u>
Totals	92	\$ 4,548,001

**Retired Member and Beneficiary Data as of September 30, 2011
(Includes DROP Participants)
Tabulated by Attained Age**

Attained Age	No.	Annual Pensions
40 - 44	3	\$ 275,034
45 - 49	6	518,283
50 - 54	20	1,398,282
55 - 59	13	586,078
60 - 64	13	636,162
65 - 69	12	414,611
70 - 74	9	318,919
75 - 79	5	198,834
80 - 84	8	159,233
85 - 89	3	42,565
Totals	92	\$ 4,548,001

Average Age at Retirement: 48.8 years

Average Age Now: 63.2 years

Vested Terminated Members as of September 30, 2011
Annual Estimated Pensions
Tabulated by Attained Age

Attained Age	No.	Annual Estimated Pensions
44	1	\$13,598
<hr/>		
Totals	1	\$13,598

Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1997	66	0		\$3,081,776	38.0 yrs.	11.5 yrs.	\$46,694
1998	62	0		2,980,932	38.2	12.1	48,080
1999	58	0		2,824,287	37.4	11.1	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

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		A		
		DROP	Other	Totals		A	E	A	E	A	E	
2002	3	1		1	4.2	1	0.1		0.1	3	2.19	56
2003	8				6.3		0.1		0.1	1	2.0	63
2004	9	2	1	3	8.2		0.1		0.1	2	2.0	67
2005	11	1	1	2	7.0		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

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	5	1						6	\$ 374,021
30-34	3	9						12	858,211
35-39	1	7	6	3				17	1,549,367
40-44	3	5	1	7				16	1,477,013
45-49	1	3	1	2				7	682,987
50-54		1						1	80,582
55-59		1						1	119,944
Totals	13	27	8	12			0	60	\$5,142,125

SECTION C

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

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
2002	\$86,446	\$88,991	97.1 %	\$2,545	\$7,769	32.8 %
2003	88,091	94,991	92.7	6,900	8,558	80.6
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	74.0	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

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	32.32 %	\$2,721	\$2,510	100.00 %
2005	34.73	1,531	1,466	100.00
2006 (a)	39.34	1,796	1,701	100.00
2007 (a)	45.97	2,609	2,610	100.00
2008	46.47	2,875	2,875	100.00
2009	44.86	2,709	2,709	100.00
2010	47.50	2,997	2,997	100.00
2011	51.06	3,540	2,570	72.60
2012	53.12	3,580		
2013 (a)	27.72	1,371		

(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, 2011
Actuarial cost method	Entry-Age
Amortization method	Level percent of payroll
Remaining amortization period*	20- 30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	8.3% to 4.5%
Includes inflation and other general increases at	4.5%
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, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	92
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	
Vested	20
Non-vested	40
	40
Totals	153

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

SECTION D

STATE REQUIRED DATA

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

	<u>September 30, 2011</u>		<u>September 30, 2010</u>
	<u>Mortality Change</u>	<u>Before</u>	
(i) Actuarial present value of active member benefits:			
Service retirement	\$15,495	\$14,842	\$45,939
Vested termination benefits	\$288	276	1,307
Disability retirement	\$1,568	2,158	686
Survivor benefits (pre-retirement)	\$800	769	478
Termination benefits - refunds	\$36	35	153
Totals	<u>18,187</u>	<u>18,081</u>	<u>48,564</u>
(ii) Actuarial present value of terminated vested members	118	114	106
(iii) Actuarial present value of retired member & beneficiary	58,843	58,734	48,286
(iv) Reserves	620	620	0
(v) Total actuarial present value of future benefit payments	77,769	77,550	96,956
(vi) Present value of active member future payroll	71,758	36,021	40,929
(vii) Present value of future active member contributions	3,461	2,457	2,791
(viii) Active member accumulated contributions	3,104	3,104	4,035
(ix) Actuarial accrued liability using projected unit credit funding method	71,722	71,301	79,494

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

	<u>September 30, 2011</u>		<u>September 30, 2010</u>
	<u>Mortality Change</u>	<u>Before</u>	
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)			
(i) Vested accrued benefits			
Retired members and beneficiaries	\$ 58,843	\$ 58,734	\$48,286
Terminated members	118	114	106
Active members (includes non-forfeitable accum. member contributions)	<u>11,609</u>	<u>11,541</u>	<u>20,950</u>
Total	70,570	70,389	69,342
(ii) Non-vested accrued benefits	-	-	<u>3,437</u>
(iii) Total actuarial p.v. of accrued benefits	70,570	70,389	72,779
(iv) Actuarial p.v. of accrued benefits at begin. of year	65,018	65,018	68,504
(v) Changes attributable to:			
Amendments		-	-
Assumption change	190		-
Operation of decrements	9,568	9,577	7,952
Benefit payments	(4,206)	(4,206)	(3,677)
Expenses	-	-	-
(vi) Net change	<u>5,552</u>	<u>5,371</u>	<u>4,275</u>
(vii) Actuarial p.v. of accr. benefits at end of year	70,570	70,389	72,779
Actuarial Present Value of Accrued Benefits Using FRS Interest Rate			
(i) Vested	\$ 72,654	\$ 72,468	
(ii) Non-Vested	<u>0</u>	<u>0</u>	
(iii) Total	72,654	72,468	
(iv) Market Value of Assets (MVA)	50,211	50,211	
(v) Funded Ratio Using FRS Interest Rate and MVA	69.11 %	69.29 %	

Reconciliation of Membership Data

A. Active Members

1. Number Included in Last Valuation	69
2. New Members Included in Current Valuation	
3. Non-Vested Employment Terminations	(1)
4. Vested Employment Terminations	
5. Service Retirements	
6. DROP Retirements	(8)
7. Disability Retirements	
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>60</u>

B. Terminated Vested Members

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

C. Service Retirees, Disability Retirees and Beneficiaries

1. Number Included in Last Valuation	89
2. Additions from Active Members	8
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	(6)
5. Added (Beneficiaries/Data Corrections)	<u>1</u>
6. Number Included in this Valuation	92

**Number Eligible/Number Electing Normal Retirement
During Year Ended September 30, 2011**

Age	Number Eligible	Number Electing Normal Retirement	
		DROP	Regular
41	1	1	
42	1	1	
43	1	1	
47	2	2	
48	1	1	
50	1	1	
53	1	1	
Totals	8	8	0

APPENDIX

ACTUARIAL COST METHOD, ACTUARIAL ASSUMPTIONS AND DEFINITIONS OF TECHNICAL TERMS

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-11 for General and A-12 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 and 5 of this Appendix using the single equivalent amortization periods for each employee group.

Member payroll was assumed to increase 4.5% 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 8.00%	Inflation Assumption 2.50%	
	Payroll	UAAL Balance	Payment
1	\$ 10,721,241	\$ 7,564,873	\$ 499,269
2	10,989,788	7,644,690	511,774
3	11,265,061	7,717,733	524,593
4	11,547,229	7,783,130	537,733
5	11,836,466	7,839,932	551,202
6	12,132,947	7,887,104	565,009
7	12,436,854	7,923,522	579,161
8	12,748,373	7,947,961	593,668
9	13,067,696	7,959,090	608,539
10	13,395,017	7,955,461	623,781
11	13,730,537	7,935,502	639,406
12	14,074,460	7,897,505	655,422
13	14,426,999	7,839,615	671,839
14	14,788,368	7,759,819	688,667
15	15,158,788	7,655,930	705,917
16	15,538,487	7,525,579	723,599
17	15,927,697	7,366,193	741,724
18	16,326,655	7,174,984	760,302
19	16,735,607	6,948,928	779,346
20	17,154,802	6,684,748	798,868
21	17,584,497	6,378,891	818,878
22	18,024,956	6,027,510	839,389
23	18,476,447	5,626,434	860,414
24	18,939,247	5,171,148	881,966
25	19,413,639	4,656,760	904,057
26	19,899,913	4,077,975	926,702
27	20,398,368	3,429,058	949,915
28	20,909,309	2,703,802	973,708
29	21,433,047	1,895,487	998,098
30	21,969,904	996,843	1,023,098
31	22,520,209	0	0

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

Ocean Rescue UAAL Amortization Schedule*

Year	Investment Assumption 8.00%	Inflation Assumption 0.00%	
	Payroll	UAAL Balance	Payment
1	\$ 204,927	\$1,162,923	\$ 99,375
2	204,927	1,152,657	99,375
3	204,927	1,141,570	99,375
4	204,927	1,129,597	99,375
5	204,927	1,116,665	99,375
6	204,927	1,102,699	99,375
7	204,927	1,087,615	99,375
8	204,927	1,071,325	99,375
9	204,927	1,053,731	99,375
10	204,927	1,034,730	99,375
11	204,927	1,014,209	99,375
12	204,927	992,047	99,375
13	204,927	968,111	99,375
14	204,927	942,260	99,375
15	204,927	914,342	99,375
16	204,927	884,190	99,375
17	204,927	851,625	99,375
18	204,927	816,456	99,375
19	204,927	778,473	99,375
20	204,927	737,451	99,375
21	204,927	693,148	99,375
22	204,927	645,300	99,375
23	204,927	593,625	99,375
24	204,927	537,815	99,375
25	204,927	477,541	99,375
26	204,927	412,445	99,375
27	204,927	342,141	99,375
28	204,927	266,213	99,375
29	204,927	184,210	99,375
30	204,927	95,648	99,375
31	204,927	0	0

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

Police UAAL Amortization Schedule*

Year	Investment Assumption	Inflation Assumption	
	8.00%	UAAL Balance	4.50%
	Payroll		Payment
1	\$ 5,221,806	\$ 8,866,490	\$ 465,274
2	5,456,787	9,081,500	486,211
3	5,702,343	9,291,468	508,091
4	5,958,948	9,494,988	530,955
5	6,227,101	9,690,499	554,848
6	6,507,320	9,876,266	579,816
7	6,800,150	10,050,369	605,908
8	7,106,156	10,210,680	633,173
9	7,425,934	10,354,848	661,666
10	7,760,101	10,480,279	691,441
11	8,109,305	10,584,112	722,556
12	8,474,224	10,663,195	755,071
13	8,855,564	10,714,060	789,049
14	9,254,064	10,732,895	824,556
15	9,670,497	10,715,515	861,661
16	10,105,669	10,657,324	900,436
17	10,560,425	10,553,283	940,956
18	11,035,644	10,397,870	983,299
19	11,532,248	10,185,039	1,027,547
20	12,051,199	9,908,172	1,073,787
21	12,593,503	9,560,030	1,122,107
22	13,160,210	9,132,701	1,172,602
23	13,752,420	8,617,540	1,225,369
24	14,371,279	8,005,106	1,280,511
25	15,017,986	7,285,095	1,338,134
26	15,693,796	6,446,264	1,398,350
27	16,400,016	5,476,353	1,461,276
28	17,138,017	4,361,996	1,527,033
29	17,909,228	3,088,630	1,595,750
30	18,715,143	1,640,389	1,667,558
31	19,557,325	0	0

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

Firefighters UAAL Amortization Schedule*

Year	Investment Assumption 8.00%	Inflation Assumption 4.50%	
	Payroll	UAAL Balance	Payment
1	\$ 5,142,125	\$14,029,022	\$ 736,180
2	5,373,521	14,369,223	769,309
3	5,615,329	14,701,444	803,927
4	5,868,019	15,023,464	840,104
5	6,132,080	15,332,811	877,909
6	6,408,023	15,626,742	917,415
7	6,696,384	15,902,217	958,698
8	6,997,722	16,155,869	1,001,840
9	7,312,619	16,383,980	1,046,923
10	7,641,687	16,582,443	1,094,034
11	7,985,563	16,746,733	1,143,266
12	8,344,913	16,871,861	1,194,713
13	8,720,434	16,952,343	1,248,475
14	9,112,854	16,982,146	1,304,656
15	9,522,932	16,954,646	1,363,366
16	9,951,464	16,862,572	1,424,717
17	10,399,280	16,697,953	1,488,829
18	10,867,248	16,452,051	1,555,827
19	11,356,274	16,115,299	1,625,839
20	11,867,306	15,677,225	1,699,002
21	12,401,335	15,126,378	1,775,457
22	12,959,395	14,450,236	1,855,352
23	13,542,568	13,635,121	1,938,843
24	14,151,983	12,666,096	2,026,091
25	14,788,823	11,526,857	2,117,265
26	15,454,320	10,199,614	2,212,542
27	16,149,764	8,664,970	2,312,106
28	16,876,503	6,901,777	2,416,151
29	17,635,946	4,886,991	2,524,878
30	18,429,564	2,595,509	2,638,498
31	19,258,894	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.

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, 1987. 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. 8% per annum compounded annually, net of investment expenses.

INFLATION. 4% 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:

	Year Ended September 30					Average for Period
	2011	2010	2009	2008	2007	
Actual	3.9%	1.1%	(1.3)%	4.9%	2.8%	2.3%
Assumed	4.0%	5.0%	5.0%	5.0%	5.0%	4.8%

REAL INVESTMENT RETURN. 4% 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

	Year Ended September 30					Average for Period
	2011	2010	2009	2008	2007	
Total Rate of Return	1.7 %	2.9 %	(1.2) %	1.9 %	11.2 %	3.3 %
less investment expenses	0.4	0.3	0.4	0.7	0.5	0.5
Net Rate of Return	1.3	2.6	(1.6)	1.2	10.8	2.8
less inflation rate	3.9	1.1	(1.3)	4.9	2.8	2.3
Net Real Rate of Return	(2.6)	1.5	(0.3)	(3.7)	8.0	0.6
Assumed Real Rate	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.2 %
Assumed Net Rate	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %

Police

	Year Ended September 30					Average for Period
	2011	2010	2009	2008	2007	
Total Rate of Return	1.6%	3.2%	3.9%	6.0%	11.5%	5.2%
less investment expenses	0.4	0.4	0.3	0.5	0.5	0.4
Net Rate of Return	1.2	2.8	3.6	5.5	11.0	4.8
less inflation rate	3.9	1.1	(1.3)	4.9	2.8	2.3
Net Real Rate of Return	(2.7)	1.7	4.9	0.6	8.2	2.5
Assumed Real Rate	4.0%	3.0%	3.0%	3.0%	3.0%	3.2%
Assumed Net Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Fire

	Year Ended September 30					Average for Period
	2011	2010	2009	2008	2007	
Total Rate of Return	1.3%	3.0%	1.5%	5.3%	11.3%	4.5%
less investment expenses	0.3	0.3	0.3	0.5	0.5	0.4
Net Rate of Return	1.0	2.7	1.2	4.8	10.8	4.1
less inflation rate	3.9	1.1	(1.3)	4.9	2.8	2.3
Net Real Rate of Return	(2.9)	1.6	2.5	(0.1)	8.0	1.8
Assumed Real Rate	4.0%	3.0%	3.0%	3.0%	3.0%	3.2%
Assumed Net Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

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	4.0	4.0	4.0	4.0	4.0
Other Causes	0.5	0.5	0.5	0.5	0.5
Totals	8.3 %	7.2 %	6.6 %	5.6 %	4.7 %

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

	Year Ended September 30					Average 10-Year
	2011	2010	2009	2008	2007	
% Change: Actual*						
- Gen.	1.0 %	1.1 %	5.6 %	6.3 %	6.8 %	
- O.R.	2.1	1.5	9.4	5.5	5.1	
- Pol.	0.8	1.1	16.4	11.6	(0.7)	
- Fire	0.4	3.1	16.1	6.5	3.0	
Assumed						
- Gen.	7.0	6.9	7.0	7.0	7.0	
- O.R.	7.5	7.7	7.7	7.6	7.6	
- Pol.	6.7	7.6	7.7	7.6	7.7	
- Fire	6.8	7.7	7.7	7.7	7.7	
% Change in Total Payroll						
- Gen.	(4.8)	(12.7)	4.3	0.2	2.9	2.5 %
- O.R.	(50.1)	(21.2)	27.8	(10.9)	(15.8)	0.0
- Pol.	(13.6)	(2.3)	16.5	(8.0)	(7.5)	4.7
- Fire	(17.3)	(2.8)	9.9	2.0	(2.4)	7.5

* Based on members who were active throughout the year.

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
	2011	2010	2009	2008	2007	5-Year
Net Rate of Investment Return						
- Gen./O.R.	1.7 %	2.9 %	(1.2) %	1.9 %	11.2 %	3.3 %
- Pol.	1.6	3.2	3.9	6.0	11.5	5.2
- Fire	1.3	3.0	1.5	5.3	11.3	4.5
Rate of Change in Average Pay -						
- Gen.	1.0	1.1	5.6	6.3	6.8	4.2
- O.R.	2.1	1.5	9.4	5.5	5.1	4.7
- Pol.	0.8	1.1	16.4	11.6	(0.7)	5.8
- Fire	0.4	3.1	16.1	6.5	3.0	5.8
Difference: Actual -						
- Gen.	0.7	1.8	(6.8)	(4.4)	4.4	(0.9)
- O.R.	(0.4)	1.4	(10.6)	(3.6)	6.1	(1.4)
- Pol.	0.8	2.1	(12.5)	(5.6)	12.2	(0.6)
- Fire	0.9	(0.1)	(14.6)	(1.2)	8.3	(1.3)
Target	- All	4.0	3.0	3.0	3.0	3.2

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.

Sample Ages	Value of		Future Life	
	\$1 Monthly for Life		Expectancy (Years)	
	Men	Women	Men	Women
50	\$135.60	\$138.81	30.80	33.59
55	128.15	132.41	26.18	28.91
60	118.59	124.05	21.74	24.38
65	107.04	113.86	17.61	20.12
70	93.87	102.05	13.88	16.23
75	79.25	88.78	10.57	12.74
80	63.99	74.38	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, 2011 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. 2011 reported earnings for members covered by the new plan provisions were reduced by 10% to reflect the new definition of compensation.

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, 2011
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).