

CITY OF ORMOND BEACH
POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL VALUATION AND REPORT
AS OF OCTOBER 1, 2011

CONTRIBUTIONS APPLICABLE TO THE PLAN/
FISCAL YEAR ENDED SEPTEMBER 30, 2013



December 5, 2011

Board of Trustees
City of Ormond Beach
Police Officers' Pension Trust Fund
P. O. Box 277
Ormond Beach, FL 32175-0277

Re: City of Ormond Beach
Police Officers' Pension Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Ormond Beach Police Officers' Pension Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Ormond Beach, financial reports prepared by the custodian bank, Salem Trust Company, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Board of Trustees
December 5, 2011
Page Two

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Ormond Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Ormond Beach Police Officers' Pension Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

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

PTD/rv

Enclosures

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SECTION I
INTRODUCTION

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ormond Beach Police Officers' Pension Trust Fund, performed as of October 1, 2011, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2013.

The contribution requirements developed in this valuation, compared with amounts set forth in the October 1, 2010, Actuarial Valuation Report (as revised April 21, 2011), are as follows:

| Valuation Date | 10/1/2010 | 10/1/2011 |
|--------------------------------------|------------------|------------------|
| Applicable Plan/Fiscal Year End | <u>9/30/2012</u> | <u>9/30/2013</u> |
| Total Required Contribution | | |
| % of Total Annual Payroll | 55.5% | 65.8% |
| Member Contributions (Est.) | | |
| % of Total Annual Payroll | 9.0% | 9.0% |
| City and State Required Contribution | | |
| % of Total Annual Payroll | 46.5% | 56.8% |
| State Contribution * | 284,887 | 284,887 |
| % of Total Annual Payroll | 10.9% | 10.9% |
| Balance from City ** | | |
| % of Total Annual Payroll | 35.6% | 45.9% |

* Amount shown is actual State contribution received during fiscal 2011. The City may use annual State contributions of up to \$544,533.32 to determine its funding requirements.

** At the request of the Division of Retirement, the required contribution from the combination of City and State sources for the year ending September 30, 2013, is 56.8% of the actual pensionable payroll realized in that year. As a budgeting tool, the City may contribute 45.9% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received (up to the maximum \$544,533.32).

As can be seen, the Total Required Contribution has increased when expressed as a percentage of Total Annual Payroll. This increase is the result of net unfavorable actuarial experience over the past year. The principal components of unfavorable experience were a -2.0% investment return (Actuarial Asset Basis) that fell significantly short of the 7.5% assumption, and lower than expected employee turnover. These losses were partially offset by average increases in Pensionable Compensation that were approximately 5% below the assumed rate.

For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for the DROP participants, is approximately 36% for the fiscal year ending September 30, 2013. Similarly, the City's funding requirement for the 2012 fiscal year is approximately 28% when an estimate for the DROP payroll is included. It is important to note that these funding rates are for illustration purposes only. The City should budget based on the information provided on page 1.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Patrick T. Donlan, EA, ASA, MAAA

By: 
Drew D. Ballard

Plan Changes Since Prior Valuation

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in the assumptions or methods since the prior valuation report. The payroll growth assumption used for amortizing the Unfunded Actuarial Accrued Liabilities, however, is limited to the historical 10-year average and therefore changed from 0.7% per year in last year's valuation to 0.6% per year in this valuation.

Comparative Summary of Principal Valuation Results

| | <u>10/1/2011</u> | <u>10/1/2010</u> |
|--------------------------------|-------------------|-------------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 59 | 57 |
| Service Retirees | 39 | 37 |
| Beneficiaries | 1 | 2 |
| Terminated Vested | 2 | 2 |
| Disability Retirees | 1 | 1 |
| DROP Plan Members | 10 | 8 |
| Total | <u>112</u> | <u>107</u> |
| Total Annual Payroll | \$2,625,644 | \$2,682,154 |
| Payroll Under Assumed Ret. Age | 2,625,644 | 2,682,154 |
| Annual Rate of Payments to: | | |
| Service Retirees | 1,390,208 | 1,315,179 |
| Beneficiaries | 2,093 | 30,142 |
| Terminated Vested | 0 | 0 |
| Disability Retirees | 10,330 | 10,330 |
| DROP Plan Members | 485,904 | 318,429 |
| B. Assets | | |
| Actuarial Value | 20,239,248 | 21,370,058 |
| Market Value | 18,603,095 | 19,454,356 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 10,879,451 | 12,307,907 |
| Disability Benefits | 100,082 | 95,859 |
| Death Benefits | 56,849 | 56,451 |
| Vested Benefits | 1,947,053 | 1,907,577 |
| Refund of Contributions | 201,292 | 192,227 |
| Service Retirees | 17,118,358 | 16,455,947 |
| Beneficiaries | 5,663 | 18,750 |
| Terminated Vested | 5,908 | 5,908 |
| Disability Retirees | 110,324 | 112,124 |
| DROP Plan Members * | 6,706,552 | 4,197,560 |
| Excess State Monies Reserve | 0 | 0 |
| Total | <u>37,131,532</u> | <u>35,350,310</u> |

* Liabilities shown represent present value of future payments. Assets in item B., above, do not include accumulated DROP account balances.

| | <u>10/1/2011</u> | <u>10/1/2010</u> |
|---|-------------------|-------------------|
| C. Liabilities - (Continued) | | |
| Present Value of Future Salaries | 19,115,806 | 17,266,098 |
| Present Value of Future Member Cont. | 1,720,423 | 1,553,949 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 546,669 | 548,574 |
| Disability Benefits | 4,790 | 3,513 |
| Death Benefits | 2,373 | 1,789 |
| Vested Benefits | 79,586 | 68,384 |
| Refund of Contributions | 14,735 | 13,360 |
| Total Normal Cost | <u>648,153</u> | <u>635,620</u> |
| Present Value of Future Normal Costs | 4,555,982 | 4,150,898 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 7,160,488 | 8,890,069 |
| Disability Benefits | 61,953 | 67,759 |
| Death Benefits | 38,430 | 42,461 |
| Vested Benefits | 1,297,269 | 1,335,928 |
| Refund of Contributions | 70,606 | 72,906 |
| Inactives plus state reserve | 23,946,805 | 20,790,289 |
| Total Accrued Liability | <u>32,575,551</u> | <u>31,199,412</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | 12,336,302 | 9,829,354 |
| D. Actuarial Present Value of Accrued Benefits | | |
| Vested Accrued Benefits | | |
| Inactives | 23,946,805 | 20,790,289 |
| Actives | 3,115,741 | 4,627,313 |
| Member Contributions | 1,754,311 | 2,028,327 |
| | <u>28,816,857</u> | <u>27,445,929</u> |
| Non-vested Accrued Benefits | <u>575,839</u> | <u>412,270</u> |
| Total Present Value Accrued Benefits | 29,392,696 | 27,858,199 |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 0 | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 878,004 | |
| Benefits Paid (Net of DROP Lump-Sums) | (1,381,081) | |
| Interest | 2,037,574 | |
| Other | 0 | |
| | <u>1,534,497</u> | |
| Total: | 1,534,497 | |

| Valuation Date Applicable to Fiscal Year Ending | 10/1/2011 <u>9/30/2013</u> | 10/1/2010 <u>9/30/2012</u> |
|--|-------------------------------|-------------------------------|
| E. Pension Cost | | |
| Normal Cost (with interest) % of Total Annual Payroll* | 25.6 | 24.6 |
| Administrative Expense (with interest) % of Total Annual Payroll* | 1.4 | 0.9 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/11) % of Total Annual Payroll* | 38.8 | 30.0 |
| Total Required Contribution % of Total Annual Payroll* | 65.8 | 55.5 |
| Expected Member Contributions % of Total Annual Payroll* | 9.0 | 9.0 |
| Expected City & State Contrib. % of Total Annual Payroll* | 56.8 | 46.5 |

F. Past Contributions

| | |
|-----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2011</u> |
| Total Required Contribution | 1,220,460 |
| City and State Requirement | 980,631 |
| Actual Contributions Made: | |
| Members | 239,828 |
| City | 695,745 |
| State | 284,887 |
| Total | <u>1,220,460</u> |

G. Net Actuarial Gain (Loss) (2,330,742)

* Contributions developed as of 10/1/11 are expressed as a percentage of total annual payroll at 10/1/11 of \$2,625,644.

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

| <u>Year</u> | <u>Projected Unfunded Accrued Liability</u> |
|-------------|---|
| 2011 | \$12,336,302 |
| 2012 | 12,206,200 |
| 2013 | 12,060,007 |
| 2018 | 11,081,099 |
| 2023 | 9,549,902 |
| 2033 | 4,320,257 |
| 2041 | 0 |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2011 | 0.7% | 5.5% |
| Year Ended | 9/30/2010 | 1.0% | 6.5% |
| Year Ended | 9/30/2009 | 5.5% | 6.5% |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2011 | -2.0% | 7.5% |
| Year Ended | 9/30/2010 | 1.0% | 8.0% |
| Year Ended | 9/30/2009 | 1.0% | 8.0% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-------------|
| (a) Payroll as of: | 10/1/2011 | \$2,625,644 |
| | 10/1/2001 | 2,481,483 |
| (b) Total Increase | | 5.8% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | 0.6% |

Statement by Enrolled Actuary

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



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

A copy of this Report is to be furnished to the Division of Retirement within 60 days of receipt from the actuary at the following address:

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

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

SECTION II
VALUATION INFORMATION

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

| | | |
|-----|--|-------------|
| (1) | Unfunded Actuarial Accrued Liability as of October 1, 2010 | \$9,829,354 |
| (2) | City and State Normal Cost Applicable for the year * | 417,454 |
| (3) | Interest on (1) and (2) | 767,640 |
| (4) | Sponsor Contributions to the System during the year ending September 30, 2011 | 980,632 |
| (5) | Interest on (4) | 28,256 |
| (6) | Change to UAAL due to actuarial (gain) or loss | 2,330,742 |
| (7) | Unfunded Accrued Liability as of October 1, 2011 (1)+(2)+(3)-(4)-(5)+(6) | 12,336,302 |

| | <u>Date Established</u> | | <u>Years Remaining</u> | <u>10/1/2011 Amount</u> | <u>Amortization Amount</u> |
|----------------|-----------------------------|----|----------------------------|-----------------------------|--------------------------------|
| | 10/1/1986 | | 5 | 77,033 | 17,515 |
| | 10/1/1992 | | 11 | (72,770) | (9,018) |
| | 10/1/1995 | | 14 | 47,478 | 5,037 |
| | 10/1/1996 | | 15 | 188,285 | 19,174 |
| | 10/1/1999 | | 18 | 1,006,429 | 92,678 |
| | 10/1/2002 | | 21 | 1,475,914 | 126,025 |
| Method Change | 10/1/2004 | | 23 | 506,837 | 41,572 |
| Actuarial Loss | 10/1/2004 | ** | 23 | 495,570 | 40,647 |
| Actuarial Loss | 10/1/2005 | | 24 | 673,223 | 54,251 |
| Actuarial Gain | 10/1/2006 | | 25 | (719,189) | (57,020) |
| Actuarial Gain | 10/1/2007 | | 26 | (457,440) | (35,728) |
| Actuarial Loss | 10/1/2008 | | 27 | 1,043,867 | 80,412 |
| Method Change | 10/1/2008 | | 27 | 337,890 | 26,029 |
| Actuarial Loss | 10/1/2009 | | 28 | 865,662 | 65,839 |
| Actuarial Loss | 10/1/2010 | | 29 | 2,472,545 | 185,845 |
| Assumption | 10/1/2010 | | 29 | 2,064,226 | 155,155 |
| Actuarial Loss | 10/1/2011 | | 30 | 2,330,742 | 173,285 |
| | | | | 12,336,302 | 981,698 |

* Includes \$23,228 for non-investment related administrative expenses.

** It is assumed that 50% of the cost method change base from 2004 was attributable to unfavorable actuarial experience prior to that date.

ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

Assumptions

| | |
|-----------------------------------|---|
| <u>Mortality Rate</u> | RP2000 Combined Healthy (sex distinct). Disableds set forward 5 years. |
| <u>Termination Rates</u> | See Tables below |
| <u>Disability Rates</u> | See Tables below (1201). 75% are In-Line of Duty and 25% are Not-In-Line of Duty. |
| <u>Retirement Age</u> | Earlier of age 55 and 10 years of service, 20 years of service regardless of age, or Age 60. |
| <u>Early Retirement</u> | Commencing at the member's eligibility for Early Retirement (attainment of age 45 with 10 years of Credited Service), members are as- sumed to retire with an immediate, subsidized benefit at the rate of 5% per year. |
| <u>Cost of Living Adjustments</u> | Beginning the first October 1st following one year of retirement, annual adjustments of 1.0%. |
| <u>Interest Rate</u> | 7.5% per year, compounded annually, net of investment related expenses. |
| <u>Salary Increases</u> | 5.5% per year up to the assumed retirement age; see Table below. Projected salary at re- tirement is increased 20% to account for non- regular payments. |
| <u>Payroll Growth</u> | Up to 3.0% (0.6% in 10/1/11 valuation) |
| <u>Administrative Expenses</u> | \$35,383 annually. |

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Current Salary as % of Salary at age 50</u> |
|------------|--|--|--|
| 20 | 9.0% | 0.03% | 20.1% |
| 30 | 7.5 | 0.04 | 34.3 |
| 40 | 3.9 | 0.07 | 58.5 |
| 50 | 1.2 | 0.18 | 100.0 |

Funding Method
Entry Age Normal Actuarial Cost Method

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the year preceding the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

HISTORY OF PREMIUM TAX REFUNDS

| <u>Received During Fiscal Year</u> | <u>Amount</u> | <u>Increase from Previous Year</u> |
|--|---------------|--|
| 1989 | 127,241.29 | _____ % |
| 1990 | 124,222.53 | -2.4% |
| 1991 | 130,965.63 | 5.4% |
| 1992 | 135,849.04 | 3.7% |
| 1993 | 143,267.24 | 5.5% |
| 1994 | 141,238.61 | -1.4% |
| 1995 | 167,423.98 | 18.5% |
| 1996 | 164,689.32 | -1.6% |
| 1997 | 175,046.40 | 6.3% |
| 1998 | 172,232.32 | -1.6% |
| 1999 | 187,803.29 | 9.0% |
| 2000 | 185,196.08 | -1.4% |
| 2001 | 209,644.34 | 13.2% |
| 2002 | 220,651.25 | 5.3% |
| 2003 | 249,004.42 | 12.8% |
| 2004 | 279,394.31 | 12.2% |
| 2005 | 298,409.89 | 6.8% |
| 2006 | 302,091.35 | 1.2% |
| 2007 | 309,398.86 | 2.4% |
| 2008 | 306,085.20 | -1.1% |
| 2009 | 301,224.61 | -1.6% |
| 2010 | 284,026.50 | -5.7% |
| 2011 | 284,887.44 | 0.3% |

EXCESS STATE MONIES RESERVE

| | <u>Actual State Contribution</u> | <u>Applicable "Frozen" Amount</u> | <u>Excess State Monies Reserve</u> |
|------|--------------------------------------|---------------------------------------|--|
| 1998 | \$172,232.32 | * | * |
| 1999 | 187,803.29 | * | * |
| 2000 | 185,196.08 | * | * |
| 2001 | 209,644.34 | * | * |
| 2002 | 220,651.25 | * | * |
| 2003 | 249,004.42 | 502,620.32 | 0.00 |
| 2004 | 279,394.31 | 502,620.32 | 0.00 |
| 2005 | 298,409.89 | 502,620.32 | 0.00 |
| 2006 | 302,091.35 | 502,620.32 | 0.00 |
| 2007 | 309,398.86 | 544,533.32 | 0.00 |
| 2008 | 306,085.20 | 544,533.32 | 0.00 |
| 2009 | 301,224.61 | 544,533.32 | 0.00 |
| 2010 | 284,026.50 | 544,533.32 | 0.00 |
| 2011 | 284,887.44 | 544,533.32 | <u>0.00</u> |
| | Total State Monies Reserve | | \$0.00 |

* Accumulated Excess State Monies Reserve prior to 2003 (\$15,570.97) used to fund improvement in Ordinance No. 2002-35.

SECTION III

TRUST FUND

City of Ormond Beach
Police Officers' Pension Trust Fund

BALANCE SHEET
September 30, 2011

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|---|----------------------|----------------------|
| Cash and Cash Equivalents: | | |
| Money Market | 748,889.61 | 748,889.61 |
| Total Cash and Equivalents | 748,889.61 | 748,889.61 |
| Receivable: | | |
| Accrued Income | 102,907.57 | 102,907.57 |
| Total Receivable | 102,907.57 | 102,907.57 |
| Investments: | | |
| U S Govt/Govt Sponsored/Agency | 6,805,916.91 | 6,796,048.80 |
| Corporate Stocks/REITs | 12,168,690.33 | 11,917,413.34 |
| Total Investments | 18,974,607.24 | 18,713,462.14 |
| TOTAL ASSETS | 19,826,404.42 | 19,565,259.32 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Total Liabilities | 0.00 | 0.00 |
| Net Assets: | | |
| Active and Retired Members' Equity | 18,864,239.74 | 18,603,094.64 |
| DROP Plan Benefits | 962,164.68 | 962,164.68 |
| Total Net Assets | 19,826,404.42 | 19,565,259.32 |
| TOTAL LIABILITIES AND NET ASSETS | 19,826,404.42 | 19,565,259.32 |

City of Ormond Beach
Police Officers' Pension Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2011
Market Value Basis

REVENUES

| | | |
|--|----------------|----------------------|
| Contributions: | | |
| Member | 239,828.35 | |
| City | 695,745.04 | |
| State | 284,887.44 | |
| Total Contributions | | 1,220,460.83 |
| Earnings from Investments | | |
| Interest & Dividends | 620,622.06 | |
| Net Realized Gain (Loss) | 1,263,328.10 | |
| Unrealized Gain (Loss) | (1,896,525.61) | |
| Total Earnings and Investment Gains | | (12,575.45) |
| | EXPENDITURES | |
| Expenses: | | |
| Investment Related* | 120,070.88 | |
| Administrative | 35,383.45 | |
| Total Expenses | | 155,454.33 |
| Distributions to Members: | | |
| Benefit Payments | 1,373,226.28 | |
| Lump Sum DROP Balances | 159,513.10 | |
| Termination Payments | 7,855.00 | |
| Total Distributions | | 1,540,594.38 |
| DROP Account Net Change | | 363,097.60 |
| Change in Net Assets for the Year | | (851,260.93) |
| Net Assets Beginning of the Year | | 19,454,355.57 |
| Net Assets End of the Year | | 18,603,094.64 |

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

City of Ormond Beach
Police Officers' Pension Trust Fund

ACTUARIAL ASSET VALUATION
September 30, 2011

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years, but are limited to 120% of Market Value, if less.

Details of the derivation are set forth as follows:

| Plan Year End | Rate of Return* | |
|--|-----------------|-----------------|
| 9/30/08 | -15.55% | |
| 9/30/09 | 2.40% | |
| 9/30/10 | 7.54% | |
| 9/30/11 | -0.67% | |
| Annualized Rate of Return for prior four (4) years: | | -1.96% |
| (A) 10/01/10 Actuarial Assets: | | \$21,370,057.88 |
| (I) Net Investment Income: | | |
| 1. Interest and Dividends | | 620,622.06 |
| 2. Realized Gains (Losses) | | 1,263,328.10 |
| 3. Change in Actuarial Value | | (2,176,074.11) |
| 4. Investment Related Expenses | | (120,070.88) |
| Total | | (412,194.83) |
| (B) 10/01/11 Actuarial Assets: | | \$20,239,248.45 |
| Actuarial Asset Rate of Return = 2I/(A+B-I): | | -1.96% |
| 10/01/11 Limited Actuarial Assets: (Lesser of Actuarial Assets or 120% of Market Value) | | \$20,239,248.45 |

*Market Value Basis, net of investment related expenses

City of Ormond Beach
Police Officers' Pension Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2011
Actuarial Asset Basis

REVENUES

| | | |
|--|----------------|---------------------|
| Contributions: | | |
| Member | 239,828.35 | |
| City | 695,745.04 | |
| State | 284,887.44 | |
| Total Contributions | | 1,220,460.83 |
| Earnings from Investments | | |
| Interest & Dividends | 620,622.06 | |
| Net Realized Gain (Loss) | 1,263,328.10 | |
| Change in Actuarial Value | (2,176,074.11) | |
| Total Earnings and Investment Gains | | (292,123.95) |

EXPENDITURES

| | | |
|--|--------------|-----------------------|
| Expenses: | | |
| Investment Related* | 120,070.88 | |
| Administrative | 35,383.45 | |
| Total Expenses | | 155,454.33 |
| Distributions to Members: | | |
| Benefit Payments | 1,373,226.28 | |
| Lump Sum DROP Balances | 159,513.10 | |
| Termination Payments | 7,855.00 | |
| Total Distributions | | 1,540,594.38 |
| DROP Account Net Change | | 363,097.60 |
| Change in Net Assets for the Year | | (1,130,809.43) |
| Net Assets Beginning of the Year | | 21,370,057.88 |
| Net Assets End of the Year** | | 20,239,248.45 |

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

**Net Assets may be limited for actuarial consideration

City of Ormond Beach
Police Officers' Pension Trust Fund

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2010 through September 30, 2011

| Name | 9/30/10 Balance | Additions | Investment Return | Distributions | 9/30/11 Balance |
|---------------------|--------------------|------------|----------------------|---------------|--------------------|
| Bayne, John | 0.00 | 60,252.36 | 2,100.99 | 0.00 | 62,353.35 |
| Brock, Donald | 111,731.37 | 35,391.48 | 8,496.63 | 0.00 | 155,619.48 |
| Corn, Tony | 47,179.18 | 9,056.44 | 820.39 | (57,056.01) | 0.00 |
| Drake, Michael | 235,390.44 | 58,197.96 | 17,329.72 | 0.00 | 310,918.12 |
| Gogarty, James | 0.00 | 64,176.71 | 2,414.23 | 0.00 | 66,590.94 |
| Lanier, Larry | 64,037.13 | 27,531.90 | 3,831.68 | (95,400.71) | 0.00 |
| Longfellow, Michael | 7,056.38 | 0.00 | 0.00 | (7,056.38) | 0.00 |
| Orlando, Joseph | 0.00 | 31,449.12 | 1,096.62 | 0.00 | 32,545.74 |
| Osterkamp, Henry | 0.00 | 25,022.76 | 330.89 | 0.00 | 25,353.65 |
| Rudloff, Daaron | 6,381.42 | 35,633.00 | 1,696.40 | 0.00 | 43,710.82 |
| Sanders, Michael | 13,889.43 | 41,124.48 | 2,336.80 | 0.00 | 57,350.71 |
| Secor, Blaze | 66,544.84 | 34,494.00 | 5,528.20 | 0.00 | 106,567.04 |
| Welch, Jessey | 46,856.89 | 49,525.32 | 4,772.62 | 0.00 | 101,154.83 |
| | | | | | |
| Total | 599,067.08 | 471,855.53 | 50,755.17 | (159,513.10) | 962,164.68 |

SECTION IV
MEMBER STATISTICS

ELIGIBILITY FOR RETIREMENT

Members are eligible for Normal Retirement based upon the following criteria:

- 1) Attained Age 55 with 10 Years of Credited Service
- or 2) 20 Years of Credited Service regardless of Age
- or 3) Attained Age 60

Members are eligible for Early Retirement based upon the following criteria:

- 1) Attained Age 45 with 10 Years of Credited Service

As of the date of this valuation, the following list of Members are eligible for:

| <u>Normal Retirement</u> | <u>Early Retirement</u> |
|--------------------------|---|
| None | CORNELIUS, LLOYD J. CRIMINS, JAMES M. DOGGETT, JIM HAYES, KENNY HODGE, BRENTON M. STOKES, GREG |

STATISTICAL DATA

(Averages are salary weighted)

| | <u>10/1/2008</u> | <u>10/1/2009</u> | <u>10/1/2010</u> | <u>10/1/2011</u> |
|---------------------------|------------------|------------------|------------------|------------------|
| <u>Active Members</u> | | | | |
| Number | 61 | 63 | 57 | 59 |
| Average Current Age | 39.7 | 38.7 | 38.2 | 37.6 |
| Average Age at Employment | 29.2 | 29.0 | 28.4 | 29.2 |
| Average Past Service | 10.6 | 9.7 | 9.8 | 8.4 |
| Average Annual Salary | \$45,105 | \$45,967 | \$47,055 | \$44,502 |

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

| AGE | 0 | 1 | 2 | 3 | 4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | Total |
|---------|---|---|---|---|---|-----|-------|-------|-------|-------|-----|-------|
| 15 - 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 - 24 | 2 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| 25 - 29 | 1 | 1 | 2 | 3 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 10 |
| 30 - 34 | 1 | 0 | 1 | 1 | 3 | 4 | 1 | 0 | 0 | 0 | 0 | 11 |
| 35 - 39 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| 40 - 44 | 1 | 0 | 0 | 0 | 1 | 4 | 5 | 4 | 0 | 0 | 0 | 15 |
| 45 - 49 | 2 | 0 | 1 | 0 | 0 | 3 | 2 | 2 | 0 | 0 | 0 | 10 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 60 - 64 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 7 | 2 | 5 | 6 | 4 | 16 | 11 | 8 | 0 | 0 | 0 | 59 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|----|
| a. Number in prior valuation 10/1/10 | 57 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 0 |
| ii. Non-vested or full lump sum distribution received | 1 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | 0 |
| f. Entered DROP Program | 4 |
| f. Voluntary withdrawal | 0 |
| g. Continuing participants | 52 |
| h. New entrants | 7 |
| i. Total active life participants in valuation | 59 |

2. Non-Active lives (including beneficiaries receiving benefits)

| | <u>Service Retirees, Vested Receiving Benefits</u> | <u>Members in DROP Plan</u> | <u>Receiving Death Benefits</u> | <u>Receiving Disability Benefits</u> | <u>Vested Deferred</u> | <u>Total</u> |
|-----------------------------|--|-----------------------------|---------------------------------|--------------------------------------|------------------------|--------------|
| a. Number prior valuation | 37 | 8 | 2 | 1 | 2 | 50 |
| b. In | 2 | 4 | 0 | 0 | 0 | 6 |
| c. Out | 0 | 2 | 1 | 0 | 0 | 3 |
| d. Number current valuation | 39 | 10 | 1 | 1 | 2 | 53 |

SECTION V
SUMMARY OF PLAN PROVISIONS

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2011-39)

| | |
|-------------------------------------|---|
| <u>Eligibility</u> | Full-time employees who are classified as full-time sworn officers participate in the System as a condition of employment. |
| <u>Credited Service</u> | Total years and fractional parts of years of service with the City as a Police Officer. |
| <u>Salary</u> | Total Compensation. |
| <u>Average Final Compensation</u> | Average Salary for the best 5 years during the 10 years immediately preceding termination. |
| <u>Member Contributions</u> | 9.0% of Salary |
| <u>City and State Contributions</u> | Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, F.S. |
| <u>Normal Retirement</u> | |
| Date | Earlier of Age 60, age 55 and 10 years of Credited Service, or 20 years of Credited Service. |
| Benefit | 3.30% of Average Final Compensation times Credited Service |
| Form of Benefit | Ten Year Certain and Life Annuity (options available). |
| <u>Early Retirement</u> | |
| Eligibility | Age 45 and 10 Years of Credited Service. |
| Benefit | Accrued benefit, reduced 3% per year. |
| <u>Cost-of-Living Adjustment</u> | Beginning the first October 1st following one year of retirement, annual adjustments of 1.0%. |
| <u>Vesting</u> | |
| Schedule | 100% after 10 years of Credited Service. |
| Benefit Amount | Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date. |

Disability

Eligibility

Service Incurred Covered from Date of Employment.

Non-Service
Incurred 10 years of Credited Service.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).

Duration

Payable for life and ten years certain (options available) or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement

Vested Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested Refund of accumulated contributions without interest.

Post-Retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements (Earlier of age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service).

| | |
|----------------------|--|
| Participation | Not to exceed 60 months, or the date on which the Member completes 30 years of Service, if earlier. |
| Rate of Return | Participants election: a.) 6.5% annually, or b.) actual net rate of investment return (total return net of brokerage commissions, transaction costs and management fees) credited each fiscal quarter. |
| Form of Distribution | Cash lump sum (options available) at termination of employment. |

SECTION VI

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NOS. 25 & 27 INFORMATION**

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|--|
| 10/01/11 | 20,239,248 | 32,575,550 | 12,336,302 | 62.13% | 2,625,644 | 469.84% |
| 10/01/10 | 21,370,058 | 31,199,412 | 9,829,354 | 68.50% | 2,682,154 | 366.47% |
| 10/01/09 | 21,668,325 | 27,060,230 | 5,391,905 | 80.07% | 2,895,940 | 186.19% |
| 10/01/08 | 21,849,538 | 26,281,237 | 4,431,699 | 83.14% | 2,751,379 | 161.07% |
| 10/01/07 | 22,492,349 | 25,553,450 | 3,061,101 | 88.02% | 2,893,763 | 105.78% |
| 10/01/06 | 20,760,411 | 24,254,697 | 3,494,285 | 85.59% | 2,995,893 | 116.64% |

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

| Year Ended September 30 | Annual Required Contribution | City Contribution | State Contribution | Percentage Contributed |
|-------------------------|------------------------------|-------------------|--------------------|------------------------|
| 2011 | 980,631 | 695,745 | 284,887 | 100.00% |
| 2010 | 915,935 | 632,567 | 284,027 | 100.07% |
| 2009 | 725,357 | 424,132 | 301,225 | 100.00% |
| 2008 | 755,134 | 449,049 | 306,085 | 100.00% |
| 2007 | 771,038 | 461,639 | 309,399 | 100.00% |
| 2006 | 671,585 | 369,943 | 302,091 | 100.07% |

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2011

| | |
|-------------------------------|------------------------------|
| City | 26.2% |
| State | 10.6% |
| Plan Members | 9.0% |
| Annual Pension Cost | 698,446 |
| Contributions made | 695,745 |
| Actuarial valuation date | 10/1/2009 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level % of Payroll, Closed |
| Remaining amortization period | 25 years (as of 10/1/2009) |
| Asset valuation method | 4 Year Smoothed Market Value |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% (as of October 1, 2010) |
| Projected salary increase* | 5.5% (as of October 1, 2010) |
| * Includes inflation at | 3.0% |
| Post Retirement COLA | 1.0% |

THREE YEAR TREND INFORMATION

| <u>Year</u> <u>Ending</u> | <u>Annual</u> <u>Pension Cost</u> <u>(APC)</u> | <u>Percentage</u> <u>of APC</u> <u>Contributed</u> | <u>Net</u> <u>Pension</u> <u>Obligation</u> |
|------------------------------|--|--|---|
| 9/30/2011 | 698,446 | 100% | (39,261) |
| 9/30/2010 | 634,905 | 100% | (41,962) |
| 9/30/2009 | 424,624 | 100% | (44,301) |
| 9/30/2008 | 449,546 | 100% | (44,793) |

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

| | <u>9/30/06</u> | <u>9/30/07</u> | <u>9/30/08</u> | <u>9/30/09</u> | <u>9/30/10</u> | <u>9/30/11</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially Determined Contribution (A) | 461,639 | 461,639 | 449,049 | 424,132 | 631,908 | 695,744 |
| Interest on NPO | (3,663) | (3,663) | (3,623) | (3,583) | (3,544) | (3,147) |
| Adjustment to (A) | 4,166 | 4,166 | 4,120 | 4,075 | 6,541 | 5,849 |
| Annual Pension Cost Contributions Made | 462,142 | 461,639 | 449,546 | 424,624 | 634,905 | 698,446 |
| Increase in NPO | 503 | 503 | 497 | 492 | 2,339 | 2,701 |
| NPO Beginning of Year | (45,793) | (45,793) | (45,290) | (44,793) | (44,301) | (41,962) |
| NPO End of Year | (45,793) | (45,290) | (44,793) | (44,301) | (41,962) | (39,261) |

SECTION VII
SENATE BILL 1128 COMPLIANCE

Senate Bill 1128 Compliance

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

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

Present Value of Accrued Benefits at 7.75% Interest

| | |
|---|------------------|
| Vested Accrued Benefits | |
| Inactives | \$23,371,579 |
| Actives | 2,969,500 |
| Member Contributions | <u>1,754,311</u> |
| Total | 28,095,390 |
| | |
| Non-Vested Accrued Benefits | 515,972 |
| | |
| Total Present Value of Accrued Benefits | \$28,611,362 |