

CITY OF ORMOND BEACH
POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL VALUATION AND REPORT
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE PLAN/
FISCAL YEAR ENDED SEPTEMBER 30, 2014



December 10, 2012

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.

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:  12/10/12
Patrick T. Donlan, ASA, MAAA
Enrolled Actuary #11-6595

PTD/lke

Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	1
	b. Plan Changes Since Prior Valuation	3
	c. Comparative Summary of Principal Valuation Results	5
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liability	10
	b. Actuarial Assumptions and Methods	11
	c. Valuation Notes	13
	d. Partial History of Premium Tax Refunds	15
	e. Excess State Monies Reserve	16
III	Trust Fund	17
IV	Member Statistics	
	a. Eligibility for Retirement	23
	b. Statistical Data	24
	c. Age and Service Distribution	25
	d. Member Reconciliation	26
V	Summary of Plan Provisions	27
VI	Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosure Information	30
VII	Senate Bill 1128 Compliance	33

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ormond Beach Police Officers' Pension Trust Fund, performed as of October 1, 2012, 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, 2014.

The contribution requirements developed in this valuation, compared with amounts set forth in the June 20, 2012 Actuarial Impact Statement (determined as of October 1, 2011), are as follows:

Valuation Date Applicable Plan/Fiscal Year End	10/1/2011 <u>9/30/2013</u>	10/1/2012 <u>9/30/2014</u>
Total Required Contribution % of Total Annual Payroll	64.8%	66.9%
Member Contributions (Est.) % of Total Annual Payroll	9.0%	9.0%
City and State Required Contribution % of Total Annual Payroll	55.8%	57.9%
State Contribution ¹ % of Total Annual Payroll	298,042 11.3%	298,042 11.3%
Balance from City ² % of Total Annual Payroll	44.5%	46.6%

¹ Amount shown is actual State contribution received during fiscal 2012. The City may use annual State contributions of up to \$544,533.32 to determine its funding requirements.

² 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, 2014, is 57.9% of the actual pensionable payroll realized in that year. As a budgeting tool, the City may contribute 46.6% 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). The City has a prepaid contribution in the amount of \$13,946.90.

As can be seen, the Total Required Contribution has increased when expressed as a percentage of Total Annual Payroll. This increase is primarily due to the decrease in the payroll growth assumption from 0.6% to 0.0%.

Overall there was net favorable actuarial experience over the past year. The principal components of favorable experience were average increases in Pensionable Compensation that were below the assumed rate and greater than expected retiree mortality. These gains were partially offset by a 7.0% investment return (Actuarial Asset Basis) that fell short of the 7.5% assumption.

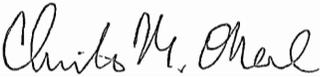
For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for the DROP participants, is approximately 37% for the fiscal year ending September 30, 2014. Similarly, the City's funding requirement for the 2013 fiscal year is approximately 36% 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: 
Christine M. O'Neal, EA, MAAA

CHANGES SINCE PRIOR VALUATION

Plan Changes – Ordinance 2012-32 was adopted which changed the following:

1. Effective October 1, 2012, Salary shall not include more than three hundred (300) hours of overtime per fiscal year. Additionally, Salary will include a maximum Personal Leave buyout equal to the amount of Personal Leave hours accrued as of one year from August 21, 2012. If after establishment of the maximum Personal Leave hours, the amount of a Member's accrued Personal Leave hours fall below the initially established maximum, the maximum hours of pensionable Personal Leave will be reduced accordingly and once it is reduced, may not be restored to the original level.
2. Lowering the fixed interest rate credited to DROP accounts from 6.5% to 2.0% for those Members employed prior to August 21, 2012 of the proposed Agreement who have not entered into the DROP program before such date.
3. Lowering the benefit accrual rate from 3.30% to 2.75% for those Members hired after August 21, 2012. Additionally, these Members will not be eligible to participate in the DROP program and will have an additional optional form of benefit equal to the 10% PLOP option.

Actuarial Assumption/Method Changes – The following changes were made since the prior valuation:

1. In order to more appropriately portray the fact that the accumulated DROP Balances of the Members are both in the Market Value of Assets and represent a liability of an amount payable to the DROP Members when they terminate employment, these balances are now being added both to the assets and the DROP Retiree liabilities. In last year's report these balances were not included in the assets or the liabilities. For better comparison between 2011 and 2012, the 2011 column has been amended as such.

2. 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 0.6% per year in last year's valuation to 0.0% per year in this valuation.
3. The final salary load was changed from a flat 20% to an amount individually determined based on the number of hours eligible to be included as pensionable salary.

Comparative Summary of Principal Valuation Results

	<u>10/1/2012</u>	<u>10/1/2011</u>
A. Participant Data		
Number Included		
Actives	58	59
Service Retirees	39	39
Beneficiaries	1	1
Terminated Vested	2	2
Disability Retirees	1	1
DROP Plan Members	9	10
	<hr/>	<hr/>
Total	110	112
Total Annual Payroll	\$2,632,006	\$2,625,644
Payroll Under Assumed Ret. Age	2,632,006	2,625,644
Annual Rate of Payments to:		
Service Retirees	1,470,019	1,390,208
Beneficiaries	2,135	2,093
Terminated Vested	14,168	0
Disability Retirees	10,330	10,330
DROP Plan Members	414,992	485,904
B. Assets		
Actuarial Value ¹	22,139,233	21,198,235
Market Value ¹	22,898,327	19,553,076
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	11,141,934	10,669,404
Disability Benefits	95,390	97,742
Death Benefits	54,214	55,529
Vested Benefits	1,864,448	1,901,533
Refund of Contributions	196,089	201,292
Service Retirees	18,014,786	17,118,358
Beneficiaries	3,988	5,663
Terminated Vested	89,350	5,908
Disability Retirees	108,445	110,324
DROP Plan Members ¹	6,811,561	7,668,717
Excess State Monies Reserve	0	0
	<hr/>	<hr/>
Total	38,380,205	37,834,470

	<u>10/1/2012</u>	<u>10/1/2011</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	18,283,625	19,115,806
Present Value of Future Member Cont.	1,645,526	1,720,423
Normal Cost (Entry Age Normal)		
Retirement Benefits	549,011	534,231
Disability Benefits	5,133	4,678
Death Benefits	2,624	2,318
Vested Benefits	87,461	77,725
Refund of Contributions	14,913	14,735
Total Normal Cost	<u>659,142</u>	<u>633,687</u>
Present Value of Future Normal Costs	4,481,516	4,445,229
Actuarial Accrued Liability		
Retirement Benefits	7,554,215	7,044,686
Disability Benefits	55,684	60,505
Death Benefits	34,521	37,535
Vested Benefits	1,163,686	1,266,939
Refund of Contributions	62,454	70,606
Inactives plus state reserve ¹	25,028,130	24,908,970
Total Accrued Liability	<u>33,898,689</u>	<u>33,389,241</u>
Unfunded Actuarial Accrued Liability (UAAL)	11,759,456	12,191,006
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	25,028,130	24,908,970
Actives	3,442,728	3,115,741
Member Contributions	1,816,753	1,754,311
Total	<u>30,287,611</u>	<u>29,779,022</u>
Non-vested Accrued Benefits	<u>624,683</u>	<u>575,839</u>
Total Present Value Accrued Benefits	30,912,294	30,354,861
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	344,106	
Benefits Paid	(1,988,711)	
Interest	2,202,038	
Other	0	
Total:	<u>557,433</u>	

Valuation Date Applicable to Fiscal Year Ending	10/1/2012 <u>9/30/2014</u>	10/1/2011 <u>9/30/2013</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll ²	26.0	25.0
Administrative Expense (with interest) % of Total Annual Payroll ²	1.3	1.4
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/12) % of Total Annual Payroll ²	39.6	38.4
Total Required Contribution % of Total Annual Payroll ²	66.9	64.8
Expected Member Contributions % of Total Annual Payroll ²	9.0	9.0
Expected City & State Contribution % of Total Annual Payroll ²	57.9	55.8

F. Past Contributions

Plan Years Ending:	<u>9/30/2012</u>
Total Required Contribution	1,487,479
City and State Requirement	1,246,266
Actual Contributions Made:	
Members	243,000
City	948,224
State	298,042
Total	<u>1,489,266</u>

G. Net Actuarial Gain (Loss) 525,677

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 10/1/2011 and 10/1/2012.

² Contributions developed as of 10/1/2012 are expressed as a percentage of total annual payroll at 10/1/2012 of \$2,632,006.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$11,759,456
2013	12,230,947
2014	12,010,933
2019	10,700,011
2024	8,847,067
2034	3,490,132
2042	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	3.7%	5.5%
Year Ended	9/30/2011	0.7%	5.5%
Year Ended	9/30/2010	1.0%	6.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	7.0%	7.5%
Year Ended	9/30/2011	-2.0%	7.5%
Year Ended	9/30/2010	1.0%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$2,632,006
	10/1/2002	2,788,273
(b) Total Increase		-5.6%
(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

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$12,191,006
(2)	City and State Normal Cost Applicable for the year ¹	432,761
(3)	Interest on (1) and (2)	945,456
(4)	Sponsor Contributions to the System during the year ending September 30, 2012	1,246,266
(5)	Interest on (4)	37,824
(6)	Change to UAAL due to actuarial (gain) or loss	(525,677)
(7)	Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)-(4)-(5)+(6)	11,759,456

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
	10/1/1986	4	65,168	18,100
	10/1/1992	10	(69,803)	(9,460)
	10/1/1995	13	46,469	5,320
	10/1/1996	14	185,163	20,290
	10/1/1999	17	1,000,485	98,653
	10/1/2002	20	1,478,022	134,867
Method Change	10/1/2004	22	509,428	44,634
Actuarial Loss	10/1/2004	² 22	498,104	43,642
Actuarial Loss	10/1/2005	23	677,725	58,338
Actuarial Gain	10/1/2006	24	(725,023)	(61,408)
Actuarial Gain	10/1/2007	25	(461,741)	(38,533)
Actuarial Loss	10/1/2008	26	1,054,907	86,845
Method Change	10/1/2008	26	341,464	28,111
Actuarial Loss	10/1/2009	27	875,743	71,202
Actuarial Loss	10/1/2010	28	2,503,756	201,244
Assumption	10/1/2010	28	2,090,281	168,010
Actuarial Loss	10/1/2011	29	2,365,466	188,133
Benefit Change	10/1/2011	29	(150,481)	(11,968)
Actuarial Gain	10/1/2012	30	(525,677)	(41,404)
			<u>11,759,456</u>	<u>1,004,616</u>

¹ Includes \$35,383 for non-investment related administrative expenses.

² 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 METHODS

<u>Mortality Rate</u>	RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)
<u>Termination Rates</u>	See Tables below
<u>Disability Rates</u>	See Tables below (1201). It is assumed that 75% of disablements and active member deaths are service related.
<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 assumed 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 retirement is increased individually to account for non-regular payments (previously 20%).
<u>Payroll Growth</u>	Up to 3.0% (0.0% in 10/1/2012 valuation)
<u>Administrative Expenses</u>	\$33,888 annually.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.
<u>Asset Valuation</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<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

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>
1990	124,222.53	_____%
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%
2012	298,041.92	4.6%

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	0.00
2012	298,041.92	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.

City of Ormond Beach
Police Officers' Pension Trust Fund

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	1,113,563.68	1,113,563.68
Total Cash and Equivalents	1,113,563.68	1,113,563.68
Receivable:		
Accrued Income	80,952.46	80,952.46
Total Receivable	80,952.46	80,952.46
Investments:		
Fixed Income	6,974,322.91	7,242,413.93
Equities	12,930,868.30	14,475,343.34
Total Investments	19,905,191.21	21,717,757.27
TOTAL ASSETS	21,099,707.35	22,912,273.41
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Prepaid City Contribution	13,946.90	13,946.90
Total Liabilities	13,946.90	13,946.90
Net Assets, including DROP Account Balances	21,085,760.45	22,898,326.51
TOTAL LIABILITIES AND NET ASSETS	21,099,707.35	22,912,273.41

City of Ormond Beach
Police Officers' Pension Trust Fund

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

REVENUES

Contributions:		
Member	241,212.81	
Buy-Back	1,787.00	
City	948,224.27	
State	298,041.92	
Total Contributions		1,489,266.00
Earnings from Investments		
Interest & Dividends	675,401.87	
Net Realized Gain (Loss)	1,238,032.90	
Unrealized Gain (Loss)	2,073,711.16	
Total Earnings and Investment Gains		3,987,145.93
EXPENDITURES		
Expenses:		
Investment Related ¹	108,561.97	
Administrative	33,888.03	
Total Expenses		142,450.00
Distributions to Members:		
Benefit Payments	1,478,846.44	
Lump Sum DROP Balances	446,857.79	
Termination Payments	63,006.86	
Total Distributions		1,988,711.09
Change in Net Assets for the Year		3,345,250.84
Net Assets Beginning of the Year ²		19,553,075.67
Net Assets End of the Year		22,898,326.51

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets include DROP account balances at the beginning of the year.

City of Ormond Beach
Police Officers' Pension Trust Fund

ACTUARIAL ASSET VALUATION
September 30, 2012

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. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
9/30/09	2.40%	
9/30/10	7.54%	
9/30/11	-0.73%	
9/30/12	20.10%	
Annualized Rate of Return for prior four (4) years:		7.04%
(A) 10/01/11 Actuarial Assets:		\$21,198,234.49
(I) Net Investment Income:		
1. Interest and Dividends		675,401.87
2. Realized Gains (Losses)		1,238,032.90
3. Change in Actuarial Value		(330,540.74)
4. Investment Related Expenses		(108,561.97)
Total		1,474,332.06
(B) 10/01/12 Actuarial Assets:		\$22,139,233.43
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.04%
10/01/12 Limited Actuarial Assets:		\$22,139,233.43

*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, 2012
Actuarial Asset Basis

REVENUES

Contributions:		
Member	241,212.81	
Buy-Back	1,787.00	
City	948,224.27	
State	298,041.92	
 Total Contributions		 1,489,266.00
Earnings from Investments		
Interest & Dividends	675,401.87	
Net Realized Gain (Loss)	1,238,032.90	
Change in Actuarial Value	(330,540.74)	
 Total Earnings and Investment Gains		 1,582,894.03
	 EXPENDITURES	
Expenses:		
Investment Related ¹	108,561.97	
Administrative	33,888.03	
 Total Expenses		 142,450.00
Distributions to Members:		
Benefit Payments	1,478,846.44	
Lump Sum DROP Balances	446,857.79	
Termination Payments	63,006.86	
 Total Distributions		 1,988,711.09
 Change in Net Assets for the Year		 940,998.94
 Net Assets Beginning of the Year ²		 21,198,234.49
 Net Assets End of the Year ³		 22,139,233.43

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets include DROP account balances at the beginning of the year.

³Net Assets may be limited for actuarial consideration.

City of Ormond Beach
Police Officers' Pension Trust Fund

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

(1) City and State Required Contribution Rate (from the October 1, 2010 Actuarial Valuation Report)	46.5%
(2) Pensionable Payroll Derived from Member Contributions	\$2,680,142.33
(3) Required City and State Contribution (1) x (2)	1,246,266.19
(4) Less Allowable State Contribution	<u>(298,041.92)</u>
(5) Equals Required City Contribution	948,224.27
(6) Less Actual City Contributions	<u>(962,171.17)</u>
(7) Equals City's Prepaid Contribution as of September 30, 2012	\$13,946.90

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:

Normal Retirement	Early Retirement
CAPEN, JAMES C.	ANDRASCO, APRYL H. CORNELIUS, LLOYD J. DOGGETT, JIM HAYES, KENNY HODGE, BRENTON M. STOKES, GREG

STATISTICAL DATA

(Averages are salary weighted)

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
<u>Active Members</u>				
Number	63	57	59	58
Average Current Age	38.7	38.2	37.6	38.0
Average Age at Employment	29.0	28.4	29.2	29.3
Average Past Service	9.7	9.8	8.4	8.7
Average Annual Salary	\$45,967	\$47,055	\$44,502	\$45,379

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	0	2	1	1	1	0	0	0	0	0	0	5
25 - 29	2	1	1	2	3	2	0	0	0	0	0	11
30 - 34	2	1	0	1	2	4	1	0	0	0	0	11
35 - 39	0	0	0	0	0	1	4	0	0	0	0	5
40 - 44	0	1	0	0	0	4	4	3	1	0	0	13
45 - 49	0	2	0	1	0	0	3	2	0	0	0	8
50 - 54	0	0	0	0	0	2	0	2	0	0	0	4
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	4	7	2	5	6	14	12	7	1	0	0	58

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/11	59
b. Terminations	
i. Vested (partial or full) with deferred benefits	1
ii. Non-vested or full lump sum distribution received	3
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Entered DROP Program	1
f. Voluntary withdrawal	0
g. Continuing participants	54
h. New entrants	4
i. Total active life participants in valuation	58

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	39	10	1	1	2	53
b. In	2	1	0	0	1	4
c. Out	2	2	0	0	1	5
d. Number current valuation	39	9	1	1	2	52

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2012-32)

<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>	<p>Prior to August 21, 2012: Total Compensation.</p> <p>For service earned on or after August 21, 2012 salary shall not include more than 300 hours of overtime per fiscal year. Unused personal leave time accrued prior to August 21, 2012 or the amount accrued on August 21, 2013 if less and not restored prior to August 21, 2013 shall be included in Salary at retirement. Personal leave time accrued on or after August 21, 2013 cannot be restored.</p>
<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 (2.75% if hired on or after August 21, 2012).
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%.

Vesting

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). Members hired on or after August 21, 2012 are not eligible.
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 for Members who enter DROP prior to August 21, 2012 and 2.0% annually for those who enter DROP on and after August 21, 2012, 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.

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)
10/1/2012	22,139,233	33,898,689	11,759,456	65.31%	2,632,006	446.79%
10/1/2011	20,236,070	32,575,550	12,339,480	62.12%	2,625,644	469.96%
10/1/2010	21,370,058	31,199,412	9,829,354	68.50%	2,682,154	366.47%
10/1/2009	21,668,325	27,060,230	5,391,905	80.07%	2,895,940	186.19%
10/1/2008	21,849,538	26,281,237	4,431,699	83.14%	2,751,379	161.07%
10/1/2007	22,492,349	25,553,450	3,061,101	88.02%	2,893,763	105.78%

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

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2012	1,246,266	948,224	298,042	100.00%
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%

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2012

City & State	46.5%
Plan Members	9.0%
Annual Pension Cost ¹	1,246,211
Contributions made ¹	1,246,266
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level % of Payroll, Closed
Remaining amortization period	30 years (as of 10/1/2010)
Asset valuation method	4 Year Smoothed Market Value

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increase*	5.5%
* 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 Cost¹</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/2012	1,246,211	100%	(39,316)
9/30/2011	698,446	100%	(39,261)
9/30/2010	634,905	100%	(41,962)
9/30/2009	424,624	100%	(44,301)

¹ For 9/30/2012 this includes both City and State contributions.

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>9/30/07</u>	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
Actuarially Determined						
Contribution (A)		449,049	424,132	631,908	695,744	1,246,266
Interest on NPO		(3,623)	(3,583)	(3,544)	(3,147)	(2,945)
Adjustment to (A)		4,120	4,075	6,541	5,849	2,890
		-----	-----	-----	-----	-----
Annual Pension Cost		449,546	424,624	634,905	698,446	1,246,211
Contributions Made		449,049	424,132	632,567	695,745	1,246,266
		-----	-----	-----	-----	-----
Increase in NPO		497	492	2,339	2,701	(55)
NPO Beginning of Year		(45,290)	(44,793)	(44,301)	(41,962)	(39,261)
		-----	-----	-----	-----	-----
NPO End of Year	(45,290)	(44,793)	(44,301)	(41,962)	(39,261)	(39,316)

The Actuarially Determined Contribution and Contributions Made include State Monies beginning with the fiscal year ending 9/30/12.

SENATE BILL 1128 COMPLIANCE

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

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

Present Value of Accrued Benefits at 7.75% Interest

Vested Accrued Benefits	
Inactives	\$24,451,891
Actives	3,284,264
Member Contributions	<u>1,816,753</u>
Total	29,552,908
Non-Vested Accrued Benefits	<u>565,171</u>
Total Present Value of Accrued Benefits	\$30,118,079