

CITY OF ORMOND BEACH
FIREFIGHTERS' 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
Firefighters' Pension Trust Fund
22 South Beach Street
Ormond Beach, FL 32174

Re: City of Ormond Beach
Firefighters' 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 Firefighters' 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 175, 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 Firefighters' 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, EA, MAAA
Enrolled Actuary #11-6595

PTD/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ormond Beach Firefighters' 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 developed in the December 10, 2012 Actuarial Impact Statement, determined as of October 1, 2011, are as follows:

Valuation Date	10/1/2011	10/1/2012
Applicable Plan/Fiscal Year End	<u>9/30/2013</u>	<u>9/30/2014</u>
Total Required Contribution % of Total Annual Payroll	70.0%	69.5%
Member Contributions (Est.) % of Total Annual Payroll	8.4%	8.4%
City and State Required Contribution % of Total Annual Payroll	61.6%	61.1%
State Contribution ¹ % of Total Annual Payroll	351,377 13.7%	351,377 13.7%
Balance from City ² % of Total Annual Payroll	47.9%	47.4%

¹ Represents the amount of State Monies received in calendar 2012.

² As requested by the Division of Retirement, the required contribution from the combination of City and State sources for the year ending September 30, 2014, is 61.1% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 47.4% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please note that the City has a prepaid contribution of \$51,913.39 (see Page 23) that may be utilized to help offset the requirement for fiscal 2013.

The Plan experienced a net gain during the last 12 months, relative to the actuarial assumptions. The principal component of favorable experience was the effect of average increases in pensionable compensation that were much less than the assumed rate. This gain was partially offset by the effects of a 7.1% investment return (Actuarial Asset Basis) that was slightly less than the 7.5% assumption, no turnover and no retiree mortality.

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 45% for the fiscal year ending September 30, 2014. It is important to note that this funding rate is for illustration purposes only. The City should budget based on the information provided on page 5.

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, ASA, EA

By: 
Drew Ballard, BS

Plan Changes Since Prior Valuation

As outlined in the ordinance, a modification in the benefit accrual rate is required since the State contribution received in calendar 2012 was less than \$364,512, but more than what was received in calendar 2011. Under the prior structure, the benefit accrual rate was 3.37% for service accrued before January 1, 2010 and 3.31% for service accrued between January 1, 2010 and January 1, 2012 and 3.21% for service accrued after January 1, 2012. As a result of the increase in the State Monies, the new benefit accrual rate will be 3.37% for service accrued prior to January 1, 2010 and 3.34% for service accrued after January 1, 2010. If the State Monies received in calendar 2013 exceed \$364,512, then the benefit accrual rate will revert back to 3.37% for all years of Credited Service.

The impact of this change is outlined in our Actuarial Impact Statement dated December 10, 2012.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in assumptions or methods since the prior valuation.

Comparative Summary of Principal Valuation Results

A. Participant Data	<u>10/1/2012</u>	<u>10/1/2011</u>
Number Included		
Actives	44	44
Service Retirees	30	29
Beneficiaries	0	0
Terminated Vested	1	2
Disability Retirees	2	2
DROP Members	2	2
Total	<u>79</u>	<u>79</u>
Total Annual Payroll	\$2,568,321	\$2,589,753
Payroll Under Assumed Ret. Age	2,568,321	2,589,753
Annual Rate of Payments to:		
Service Retirees	1,367,649	1,349,182
Beneficiaries	0	0
Terminated Vested	22,448	46,369
Disability Retirees	32,970	32,970
DROP Members	135,195	138,651
 B. Assets		
Actuarial Value ¹	18,167,388	16,807,654
Market Value ¹	18,732,815	15,542,090
 C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	14,087,359	13,481,366
Disability Benefits	103,491	110,622
Death Benefits	63,155	66,912
Vested Benefits	1,374,736	1,481,552
Refund of Contributions	43,412	52,970
Service Retirees	15,374,312	15,354,905
Beneficiaries	0	0
Terminated Vested	158,325	320,171
Disability Retirees	326,830	332,234
DROP Members ¹	1,755,021	1,626,355
Excess State Monies Reserve	316,280	316,280
Total	<u>33,602,921</u>	<u>33,143,367</u>

	<u>10/1/2012</u>	<u>10/1/2011</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	14,651,018	16,490,972
Present Value of Future Member Cont.	1,230,686	1,385,242
Normal Cost (Entry Age Normal)		
Retirement Benefits	606,961	609,006
Disability Benefits	3,679	3,527
Death Benefits	2,172	2,036
Vested Benefits	46,825	45,132
Refund of Contributions	2,560	3,063
Total Normal Cost	<u>662,197</u>	<u>662,764</u>
Present Value of Future Normal Costs	3,617,448	4,018,907
Actuarial Accrued Liability (Entry Age Normal)		
Retirement Benefits	10,889,332	9,901,050
Disability Benefits	77,738	83,339
Death Benefits	48,368	51,589
Vested Benefits	1,021,427	1,116,816
Refund of Contributions	17,840	21,721
Inactives plus state reserve ¹	17,930,768	17,949,945
Total Actuarial Accrued Liability	<u>29,985,473</u>	<u>29,124,460</u>
Unfunded Actuarial Accrued Liability (UAAL)	11,818,085	12,316,806
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	17,614,488	17,633,665
Actives	5,796,025	5,103,430
Member Contributions	2,266,700	2,017,259
Total	<u>25,677,213</u>	<u>24,754,354</u>
Non-vested Accrued Benefits	<u>368,497</u>	<u>283,840</u>
Total Present Value Accrued Benefits	26,045,710	25,038,194
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	590,537	
Benefits Paid	(1,408,082)	
Interest	1,825,061	
Other	0	
Total:	<u>1,007,516</u>	

Valuation Date	10/1/2012	10/1/2011
Applicable to Fiscal Year Ending	<u>9/30/2014</u>	<u>9/30/2013</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	26.8	26.6
Administrative Expense (with int.) % of Total Annual Payroll ²	1.5	1.6
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/12) % of Total Annual Payroll ²	41.2	41.8
Total Required Contribution % of Total Annual Payroll ²	69.5	70.0
Expected Member Contributions % of Total Annual Payroll ²	8.4	8.4
Expected City & State Contrib. % of Total Annual Payroll ²	61.1	61.6

F. Past Contributions

Plan Year Ending:	<u>9/30/2012</u>
Total Required Contribution	1,574,646
City and State Requirement	1,357,810
Actual Contributions Made:	
Members	249,776
City	1,006,433
State	351,377
Total	<u>1,607,586</u>

G. Net Actuarial Gain (Loss)	545,784
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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 10/1/12 are expressed as a percentage of total annual payroll at 10/1/12 of \$2,568,321.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$11,818,085
2013	11,607,791
2014	11,381,724
2019	9,999,772
2024	8,031,538
2034	1,953,551
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	-1.0%	5.5%
Year Ended	9/30/2011	3.9%	5.5%
Year Ended	9/30/2010	2.1%	6.5%

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

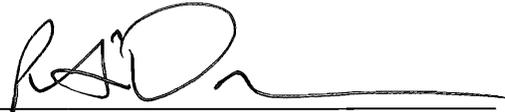
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	7.1%	7.5%
Year Ended	9/30/2011	-1.6%	7.5%
Year Ended	9/30/2010	1.3%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$2,568,321
	10/1/2002	3,162,027
(b) Total Increase		-18.8%
(c) Number of Years		10.00
(d) Average Annual Rate		-2.1%

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	\$12,316,806
(2)	City and State Normal Cost Applicable for the year *	485,979
(3)	Interest on (1) and (2)	958,681
(4)	Sponsor Contributions to the System during the year ending September 30, 2012	1,357,810
(5)	Interest on (4)	39,787
(6)	Change to UAAL due to Actuarial (Gain) or Loss	(545,784)
(7)	Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)-(4)-(5)+(6)	11,818,085

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
	10/1/1986	4	30,695	8,525
	10/1/1992	10	(26,078)	(3,534)
	10/1/1995	13	18,552	2,124
	10/1/1996	14	54,624	5,986
	10/1/1999	17	50,473	4,977
	10/1/2000	18	242,987	23,288
	10/1/2001	19	147,396	13,768
	10/1/2002	20	2,715,667	247,801
Method Change	10/1/2004	22	1,870,543	163,889
Actuarial Loss	10/1/2004	22	1,826,756	160,052
Actuarial Loss	10/1/2005	23	54,693	4,708
Actuarial Gain	10/1/2006	24	(299,546)	(25,371)
Actuarial Gain	10/1/2007	25	(843,219)	(70,368)
Benefit Change	10/1/2007	25	1,100,207	91,814
Actuarial Loss	10/1/2008	26	129,005	10,620
Method Change	10/1/2008	26	335,797	27,645
Actuarial Loss	10/1/2009	27	198,772	16,161
Benefit Change	10/1/2009	27	(87,550)	(7,118)
Benefit Change	10/1/2009	27	30,940	2,516
Actuarial Loss	10/1/2010	28	1,717,992	138,087
Assumption	10/1/2010	28	1,726,999	138,811
Benefit Change	10/1/2010	28	(80,647)	(6,482)
Actuarial Loss	10/1/2011	29	1,321,194	105,079
Benefit Change	10/1/2011	29	127,617	10,150
Actuarial Gain	10/1/2012	30	(545,784)	(42,988)
			<u>11,818,085</u>	<u>1,020,140</u>

* Includes \$40,754 for administrative expenses.

ACTUARIAL ASSUMPTIONS AND METHODS

Assumptions

<u>Mortality Rates</u>	RP2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disability mortality is set forward five years.
<u>Termination Rates</u>	See Tables below (1302).
<u>Disability Rates</u>	See Tables below (1201).
<u>Pension Age</u>	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
<u>Early Pension</u>	Commencing at the member's eligibility for Early Pension (age 50), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.
<u>Interest Rate</u>	7.50% per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	5.5% per year up to the assumed Pension age; see Table below. Projected salary at Pension is increased 20% to account for non-regular payments.
<u>Payroll Growth</u>	Up to 3% per year (limited to the 10-year historical average of actual payroll growth of 0% in 2012).
<u>Administrative Expenses</u>	\$36,008 annually.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.
<u>Asset Valuation Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 55</u>
20	6.0%	0.03%	15.4%
30	5.0	0.04	26.2
40	2.6	0.07	44.8
50	0.8	0.18	76.5

VALUATION NOTES

Total Annual Payroll is the 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 Accrued Liability 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.

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>
1991	63,455.16	_____%
1992	74,058.84	16.7%
1993	81,321.25	9.8%
1994	82,171.86	1.0%
1995	89,018.40	8.3%
1996	93,346.62	4.9%
1997	95,808.88	2.6%
1998	146,584.66	53.0%
1999	143,340.16	-2.2%
2000	185,577.09	29.5%
2001	218,066.25	17.5%
2002	192,917.32	-11.5%
2003	220,878.19	14.5%
2004	251,578.42	13.9%
2005	197,096.70	-21.7%
2006	311,579.41	58.1%
2007	370,088.25	18.8%
2008	429,930.62	16.2%
2009	329,393.61	-23.4%
2010	339,653.88	3.1%
2011	301,433.46	-11.3%
2012	351,376.95	16.6%

EXCESS STATE MONIES RESERVE

	Regular Distribution			Special Distribution		
	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>
1998	\$89,529.42	\$89,529.42	\$0.00	N/A	N/A	N/A
1999	108,124.02	89,529.42	18,594.60	35,216.14	35,216.14	0.00
2000	152,549.52	108,310.42	44,239.10	33,027.57	35,216.14	0.00
2001	180,905.88	155,624.42	25,281.46	37,160.37	35,216.14	1,944.23
2002	190,609.92	155,624.42	34,985.50	2,307.40	35,216.14	0.00
2003	209,495.34	178,434.42	31,060.92	11,382.85	35,216.14	0.00
2004	237,391.57	178,434.42	58,957.15	14,186.85	35,216.14	0.00
2005	197,096.70	178,434.42	18,662.28	0.00	35,216.14	0.00
2006	191,767.80	178,434.42	13,333.38	119,811.61	70,432.28	49,379.33 *
2007	203,475.26	178,434.42	25,040.84	166,612.99	35,216.14	131,396.85
2008	292,592.51	178,434.42	114,158.09	137,338.11	35,216.14	102,121.97
2009	286,100.15	286,100.15	0.00	43,293.46	43,293.46	0.00
2010	280,205.74	280,205.74	0.00	59,448.13	59,448.13	0.00
2011	203,871.31	203,871.31	0.00	97,562.15	97,562.15	0.00
2012	255,254.51	255,254.51	<u>0.00</u>	96,122.44	96,122.44	<u>0.00</u>
			384,313.32			284,842.38
	Accumulated Regular Excess		384,313.32			
	Accumulated Special Excess		284,842.38			
	Less Excess Used in Funding Ordinance 2008-56 (3.12% B.R.)		(196,438)			
	Less Excess Used in Funding Ordinance 2008-58 (3.37% B.R.)		<u>(156,438)</u>			
	Total State Monies Reserve		\$316,279.75			

* Special Distribution accrued beginning fiscal year ending September 30, 2006.

City of Ormond Beach
Firefighters' Pension Trust Fund

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	1,116,187.10	1,116,187.10
Total Cash and Equivalents	1,116,187.10	1,116,187.10
Receivable:		
State Contributions	96,122.44	96,122.44
Accrued Income	67,512.74	67,512.74
Total Receivable	163,635.18	163,635.18
Investments:		
Fixed Income	5,598,478.40	5,840,976.65
Equities	10,333,768.82	11,663,929.68
Total Investments	15,932,247.22	17,504,906.33
TOTAL ASSETS	17,212,069.50	18,784,728.61
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Prepaid City Contribution	51,913.39	51,913.39
Total Liabilities	51,913.39	51,913.39
Net Assets, including DROP Account Balances	17,160,156.11	18,732,815.22
TOTAL LIABILITIES AND NET ASSETS	17,212,069.50	18,784,728.61

City of Ormond Beach
Firefighters' Pension Trust Fund

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

REVENUES

Contributions:		
Member	216,836.50	
Buy-Back	32,939.45	
City	1,006,432.56	
State	351,376.95	
 Total Contributions		 1,607,585.46
Earnings from Investments		
Interest & Dividends	536,324.74	
Net Realized Gain (Loss)	906,335.30	
Unrealized Gain (Loss)	1,676,953.85	
 Total Earnings and Investment Gains		 3,119,613.89

EXPENDITURES

Expenses:		
Investment Related*	92,384.62	
Administrative	36,007.78	
 Total Expenses		 128,392.40
Distributions to Members:		
Benefit Payments	1,383,690.74	
Lump Sum DROP Balances	0.00	
Lump Sum PLOP Distributions	23,340.07	
Termination Payments	1,051.23	
 Total Distributions		 1,408,082.04
 DROP Account Net Change		 0.00
 Change in Net Assets for the Year		 3,190,724.91
 Net Assets Beginning of the Year		 15,542,090.31
 Net Assets End of the Year		 18,732,815.22

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

City of Ormond Beach
Firefighters' 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	3.38%	
9/30/10	7.28%	
9/30/11	-0.66%	
9/30/12	19.34%	
Annualized Rate of Return for prior four (4) years:		7.08%
(A) 10/01/11 Actuarial Assets:		\$16,807,653.55
(I) Net Investment Income:		
1. Interest and Dividends		536,324.74
2. Realized Gains (Losses)		906,335.30
3. Change in Actuarial Value		(154,037.01)
4. Investment Related Expenses		(92,384.62)
Total		1,196,238.41
(B) 10/01/12 Actuarial Assets:		\$18,167,387.60
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.08%
10/01/12 Limited Actuarial Assets:		\$18,167,387.60

*Market Value Basis, net of investment related expenses

City of Ormond Beach
Firefighters' Pension Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2012
Actuarial Asset Basis

REVENUES

Contributions:		
Member	216,836.50	
Buy-Back	32,939.45	
City	1,006,432.56	
State	351,376.95	
 Total Contributions		 1,607,585.46
Earnings from Investments		
Interest & Dividends	536,324.74	
Net Realized Gain (Loss)	906,335.30	
Change in Actuarial Value	(154,037.01)	
 Total Earnings and Investment Gains		 1,288,623.03

EXPENDITURES

Expenses:		
Investment Related*	92,384.62	
Administrative	36,007.78	
 Total Expenses		 128,392.40
Distributions to Members:		
Benefit Payments	1,383,690.74	
Lump Sum DROP Balances	0.00	
Lump Sum PLOP Distributions	23,340.07	
Termination Payments	1,051.23	
 Total Distributions		 1,408,082.04
 DROP Account Net Change		 0.00
 Change in Net Assets for the Year		 1,359,734.05
 Net Assets Beginning of the Year		 16,807,653.55
 Net Assets End of the Year**		 18,167,387.60

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

**Net Assets may be limited for actuarial consideration

City of Ormond Beach
Firefighters' 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, as modified by the December 7, 2011 Actuarial Impact Statement)	52.6%
(2) Pensionable Payroll Derived from Member Contributions	\$2,581,386.90
(3) Required City and State Contribution (1) x (2)	1,357,809.51
(4) Less Allowable State Contribution	<u>(351,376.95)</u>
(5) Equals Required City Contribution	1,006,432.56
(6) Less Actual City Contributions	<u>(1,058,345.95)</u>
(7) Equals City's Prepaid Contribution as of September 30, 2012	\$51,913.39

ELIGIBILITY FOR RETIREMENT

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

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

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

- 1) Attained Age 50 with 10 Years of Credited Service

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

Normal Retirement

ENNIST, RHONDA
JARRELL, JACK
KING, DAVID
KING, JOE

Early Retirement

FLUD, FRANKLIN
JOHNSON, SCOTT
MANDARINO, ROBERT

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	52	46	44	44
Average Current Age	42.0	42.4	41.5	42.5
Average Age at Employment	30.2	30.8	30.0	29.9
Average Past Service	11.8	11.5	11.5	12.6
Average Annual Salary	\$59,800	\$59,881	\$58,858	\$58,371

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	1	0	0	0	0	0	0	0	0	0	1
25 - 29	0	1	0	0	1	3	0	0	0	0	0	5
30 - 34	0	0	0	0	0	0	2	0	0	0	0	2
35 - 39	0	0	0	0	0	4	5	0	0	0	0	9
40 - 44	0	1	0	0	0	4	5	2	1	0	0	13
45 - 49	0	0	0	0	0	1	2	5	0	0	0	8
50 - 54	0	0	0	0	0	0	1	2	0	0	0	3
55 - 59	0	0	0	0	0	0	3	0	0	0	0	3
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	0	3	0	0	1	12	18	9	1	0	0	44

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/11	44
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Entered DROP	0
g. Continuing participants	44
h. New entrants	0
i. Total active life participants in valuation	44

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

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	29	0	2	2	2	35
b. In	1	0	0	0	0	1
c. Out	0	0	0	1	0	1
d. Number current valuation	30	0	2	1	2	35

SUMMARY OF PLAN PROVISIONS
 (Through Ordinance No. 2012-10)
 (Benefit Rate adjusted to reflect December 10, 2012 AIS)

<u>Eligibility</u>	Employees who are classified as full-time Firefighters shall 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 Firefighter.
<u>Salary</u>	Total compensation reportable on the member's W-2 form plus all tax deferred, tax sheltered, and tax exempt items of income.
<u>Average Final Compensation</u>	Average Salary for the best 5 years of Credited Service.
<u>Member Contributions</u>	8.4% 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, <u>Florida Statutes</u> .
<u>Normal Pension</u>	
Date	Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service.
Benefit	3.37% of Average Final Compensation <u>times</u> Credited Service prior to 12/31/2009 <u>plus</u> 3.34% of Average Final Compensation <u>times</u> Credited Service on and after 1/1/2010
Form of Benefit	Ten Year Certain and Life Annuity (options available). These options include a partial (up to 25%) lump sum of the full value of their Pension benefits in exchange for a monthly benefit that is reduced by that same percentage.

Early Pension

Eligibility Age 50 and 10 Years of Credited Service.

Benefit Accrued benefit, reduced 3% per year.

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 Pension 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 with ten years certain or until recovery (as determined by the Board). Options available.

Death Benefits

Pre-Pension

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

Non-Vested Refund of accumulated contributions without interest.

Post-Pension

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

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 appointed by Commission.

Deferred Pension Option Plan

Eligibility

Satisfaction of Normal Pension 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 35 years of Service, if earlier.

Rate of Return

Participant's 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.

BAC-DROP

Eligibility

Satisfaction of Normal Pension requirements.

Participation

Upon election to retroactively enter DROP, the BAC-DROP period will not exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.

Rate of Return

6.5% annually

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)
10/01/12	18,167,388	29,985,473	11,818,085	60.59%	2,568,321	460.15%
10/01/11	16,807,654	28,998,136	12,190,482	57.96%	2,589,753	470.72%
10/01/10	17,237,944	27,985,960	10,748,016	61.59%	2,754,532	390.19%
10/01/09	17,312,349	24,745,284	7,432,935	69.96%	3,109,600	239.03%
10/01/08	16,927,005	23,800,079	6,873,074	71.12%	3,314,380	207.37%
10/01/07	16,485,219	22,733,177	6,247,958	72.52%	3,167,598	197.25%

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	1,357,810	1,006,433	351,377	100.00%
2011	1,084,388	782,954	301,433	100.00%
2010	1,146,433	806,779	339,654	100.00%
2009	963,732	634,338	329,394	100.00%
2008	872,467	658,816	213,651 *	100.00%
2007	837,968	624,317	213,651 *	100.00%

* Frozen per Chapter 175, Florida Statutes, as amended. Special Distribution accrued beginning with the fiscal year ending September 30, 2006.

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 and State	52.6%
Plan Members	8.4%
Annual Pension Cost ¹	1,358,310
Contributions made ¹	1,357,810
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% (as of 10/1/2010)
Projected salary increase*	5.5% (as of 10/1/2010)
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

<u>Year</u> <u>Ending</u>	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	1,358,310	100%	(132,252)
9/30/2011	796,653	98%	(132,752)
9/30/2010	819,688	98%	(146,451)

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 to date 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>	<u>9/30/12</u>
Actuarially Determined							
Contribution (A)	554,252	624,317	658,816	634,338	806,779	782,955	1,357,810 ¹
Interest on NPO	(14,273)	(14,116)	(13,961)	(13,808)	(12,749)	(10,984)	(9,956)
Adjustment to (A)	16,232	16,054	15,877	27,047	25,658	24,682	10,456
Annual Pension Cost	556,211	626,255	660,732	647,577	819,688	796,653	1,358,310 ¹
Contributions Made	554,252	624,317	658,816	634,338	806,779	782,954	1,357,810 ¹
Increase in NPO	1,959	1,938	1,916	13,239	12,909	13,699	500
NPO Beginning of Year	(178,412)	(176,453)	(174,515)	(172,599)	(159,360)	(146,451)	(132,752)
NPO End of Year	(176,453)	(174,515)	(172,599)	(159,360)	(146,451)	(132,752)	(132,252)

¹ Beginning with the fiscal year ended September 30, 2012 this includes City and State Contributions.

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	\$17,230,162
Actives	5,559,277
Member Contributions	<u>2,266,700</u>
Total	25,056,139
Non-Vested Accrued Benefits	<u>332,302</u>
Total Present Value of Accrued Benefits	\$25,388,441