



**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

October 1, 2012 Actuarial Report

REVISED

**For the Fiscal and Plan Year
October 1, 2013 through
September 30, 2014**

Prepared by:

**THE NYHART COMPANY, INC.
2000 RiverEdge Parkway / Suite 540
Atlanta, GA 30328
(770) 933-1933**

March 14, 2013

March 14, 2013

(Via Courier)

Board of Trustees
Pompano Beach Police and Firefighters' Retirement System
c/o Glenda Rowley, CEBS
Executive Director
2335 E. Atlantic Blvd., Suite 400
Pompano Beach, FL 33062

October 1, 2012 Actuarial Report

Dear Board Members:

It is a pleasure to enclose our report on the actuarial valuation of the Pompano Beach Police and Firefighters' Retirement System as of October 1, 2012, for the fiscal year beginning October 1, 2013.

The report includes:

- Gain/Loss Analysis for the period October 1, 2011 through September 30, 2012;
- Cost Calculation Results;
- Asset Summary;
- Hypothetical Asset Allocation and Separate Police and Fire Costs;
- Minimum Percentage Contribution Schedule.

The net rate of return on market value of assets for the year ending September 30, 2012 was 16.6%; the rate of return on actuarial asset value was 2.8%. As of October 1, 2012 the Actuarial Asset Value was 99% of market value, as compared to 113% at October 1, 2011. The average net rate of return has been 7.4% for the past 36 years.

Board of Trustees
Pompano Beach Police and Firefighters' Retirement System
c/o Glenda Rowley, CEBS
Executive Director
March 14, 2013
Page Two

This report reflects the benefit provisions in effect on the October 1, 2012 actuarial valuation date.

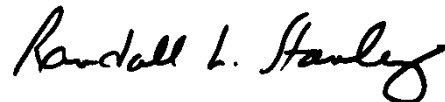
Please let us know if you have any questions or comments.

Respectfully Submitted,

THE NYHART COMPANY, INC.



David D. Harris, ASA, FCA, MAAA, EA
Actuary



Randall L. Stanley, FSA, FCA, MAAA, EA
Actuary



Heath W. Merlak, FSA, FCA, MAAA, EA
Actuary

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Enclosures (30)

Electronic File (1)

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

OCTOBER 1, 2012 ACTUARIAL REPORT

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**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Comparative Summary of Principal Valuation Results

| | Actuarial Valuation | |
|--|---------------------|--------------------|
| | Prepared as of | |
| | <u>10/01/2012</u> | <u>10/1/2011*</u> |
| A. <u>Participant Data</u> (Ex. 6) | | |
| Active Members | 182 | 191 |
| Total Annual Payroll | \$14,432,987 | \$15,514,029 |
| | | |
| DROP Members | 46 | 45 |
| Retired Members and Beneficiaries | 301 | 283 |
| Total Annualized Benefits (including DROP) | \$16,278,238 | \$14,889,639 |
| | | |
| Disabled Members | 25 | 26 |
| Total Annualized Benefits | \$1,207,631 | \$1,234,079 |
| | | |
| Terminated Vested Members | 1 | 3 |
| Total Annualized Benefits | \$32,917 | \$78,587 |
| | | |
| B. <u>Assets</u> | -\$- | -\$- |
| | | |
| Actuarial Value (Ex. 3) | 179,509,950 | 181,340,214 |
| Market Value (Ex. 2B) | 181,762,044 | 160,039,912 |
| | | |
| C. <u>Liabilities</u> (Ex. 1B) | | |
| Present Value of Projected Benefits | | |
| Active Members - Retirement | 85,116,174 | 94,448,504 |
| Vesting | 2,611,199 | 1,611,478 |
| Disability | 12,252,420 | 10,308,394 |
| Death | <u>2,862,612</u> | <u>2,828,879</u> |
| Total | 102,842,405 | 109,197,255 |
| | | |
| Inactive Members - Retired and Beneficiaries | 197,717,568 | 177,803,303 |
| Disabled | 14,993,353 | 15,270,167 |
| Terminated Vested | <u>483,951</u> | <u>844,689</u> |
| Total | 213,194,872 | 193,918,159 |
| | | |
| Total | <u>316,037,277</u> | <u>303,115,414</u> |
| | | |
| Actuarial Accrued Liability | 271,407,516 | 262,937,589 |
| Unfunded Actuarial Accrued Liability | 91,897,566 | 81,597,375 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Comparative Summary of Principal Valuation Results

(Continued)

| | Actuarial Valuation | |
|--|---------------------------------|---------------------------------|
| | <u>Prepared as of</u> | |
| | <u>10/01/2012</u> | <u>10/1/2011*</u> |
| D. <u>Actuarial Present Value of Accrued Benefits</u> (Exhibit 4) | -\$- | -\$- |
| Vested Accrued Benefits | | |
| Inactive Members and Beneficiaries | 213,194,872 | 193,918,159 |
| Active Members | <u>47,890,782</u> | <u>54,859,657</u> |
| Total | 261,085,654 | 248,777,816 |
| Non-Vested Accrued Benefits | <u>2,095,991</u> | <u>4,782,120</u> |
| Total | <u>263,181,645</u> | <u>253,559,936</u> |
| E. <u>Pension Cost</u> (Exhibit 1A) | | |
| Normal Cost (Net of Expected Employee Contributions) | 3,002,232 | 3,081,001 |
| Payment to Amortize Unfunded Liability | 6,851,539 | 6,091,837 |
| Expected Sponsor Contributions | 9,717,677 | 8,824,024 |
| As % of Payroll | 66.01% | 55.46% |
| Expected Member Contribution | 1,701,308 | 1,609,718 |
| As % of Payroll | 11.56% | 10.38% |
| F. <u>Past Contributions</u> | Year Ending <u>9/30/2012</u> | Year Ending <u>9/30/2011</u> |
| | -\$- | -\$- |
| Required Plan Sponsor and State Contributions | 7,126,164 | 7,656,104 |
| Required Member Contributions | 1,500,717 | 1,613,075 |
| Actual Contributions | | |
| Plan Sponsor and State | 7,126,164 | 7,656,104 |
| Members | 1,500,717 | 1,613,075 |
| G. <u>Net Actuarial (Gain)/Loss</u> | 8,569,785 | 1,008,160 |
| H. <u>Other Disclosures</u> | | |
| Active Members: | | |
| Present Value Future Salaries (at attained age) | 136,449,738 | 131,393,355 |
| Present Value Future Member Contributions (at attained age) | 13,845,837 | 14,817,869 |
| Present Value Future Contributions (Other Sources) | 122,681,490 | 106,957,331 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

REVIEW OF COSTS

Summary Discussion

This is the October 1, 2012 actuarial report for the Pompano Beach Police and Firefighters' Retirement System for the fiscal year beginning October 1, 2013. This report is intended to reflect the provisions and requirements of all ordinances through October 1, 2012. This is the first annual actuarial valuation report for this System prepared by The Nyhart Company, Inc.

Comparison of Deposit Requirements

The contribution compares to the prior year as follows:

| | Police | | Fire | |
|--|------------------|-------------------|------------------|-------------------|
| | <u>2013/2014</u> | <u>2012/2013*</u> | <u>2013/2014</u> | <u>2012/2013*</u> |
| | -\$- | -\$- | -\$- | -\$- |
| Past Service Cost | 4,288,264 | 3,576,488 | 2,563,275 | 2,443,349 |
| Normal Cost | 465,864 | 749,683 | 2,536,368 | 2,331,318 |
| Admin. Expenses | 284,645 | 323,535 | 296,969 | 316,124 |
| Interest & Salary Increases | <u>468,918</u> | -- | <u>411,933</u> | -- |
| Total (Sponsor & State) | 5,507,691 | 4,649,706 | 5,808,545 | 5,090,791 |
| State (Expected) | <u>777,329</u> | <u>777,329</u> | <u>821,230</u> | <u>821,230</u> |
| Net Sponsor Contribution (Lump Sum) ⁽¹⁾ | 4,730,362 | 3,872,377 | 4,987,315 | 4,269,561 |
| Net Sponsor Contribution (Installments) ⁽²⁾ | | | 5,149,875 | |

Please note that proposed State legislation may change the amount of premium tax revenues that may be used to fund benefits. If passed, the net City contribution may be adjusted. Due to the one-year lag, the impact would first be reflected in the October 1, 2013 actuarial valuation.

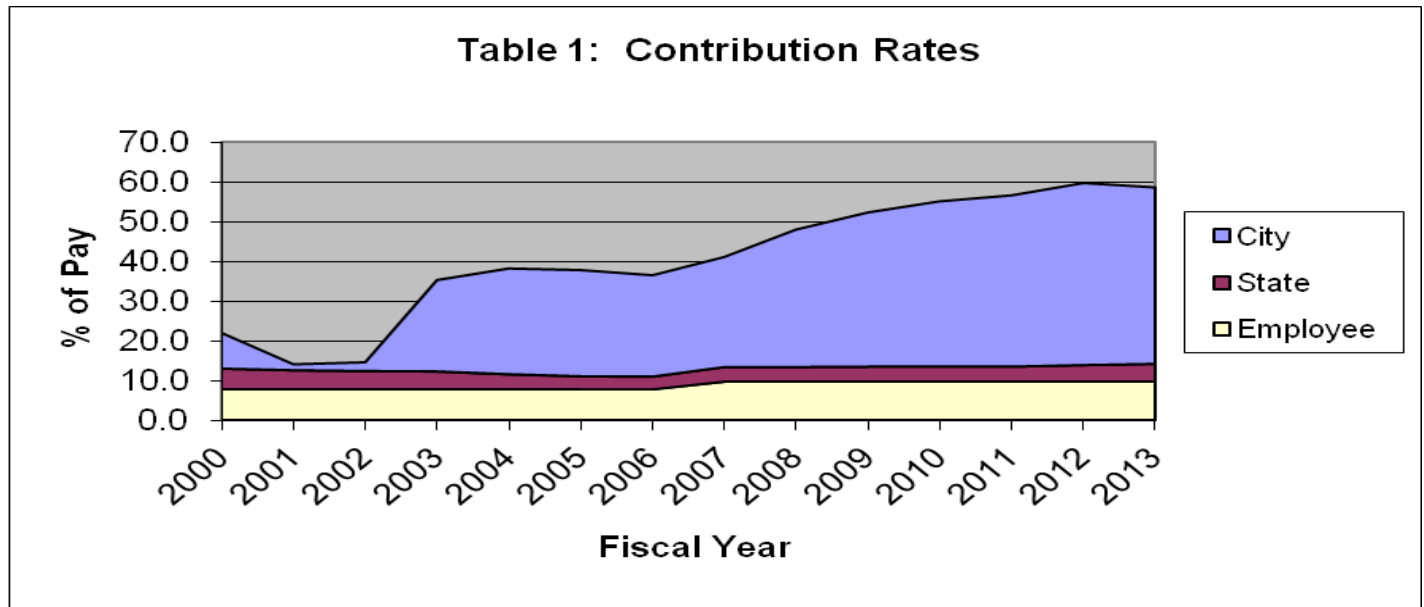
By memo dated May 29, 2012, the State Division of Retirement no longer requires that the minimum contribution be equal to the calculated contribution percentage applied to the actual payroll in the fiscal year.

⁽¹⁾ The contribution requirement for the 2013/2014 fiscal year determined as a one-time, lump sum payment to be made December 31, 2013. The payment should be adjusted for interest if made on a different date.

⁽²⁾ The contribution requirement for the 2013/2014 fiscal year determined as four equal installment payments (i.e. 25% of total) on December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014. The payments should be adjusted for interest if made on different dates.

* Based on October 1, 2011 Gabriel Roeder Smith report.

As may be noted, the 2013/2014 sponsor deposit amount of \$9,717,677 is more than the \$8,824,024 for the prior year. The details of the reasons for this change are discussed under "Analysis of Cost Changes."



Analysis of Cost Changes

Quantifications of the reasons for the changes are as follows:

Table 2 – Gain/Loss Analysis from October 1, 2011 to October 1, 2012

| | Unfunded Actuarial Accrued Liability | Amortization | City Required Contribution | |
|---|--------------------------------------|--------------|----------------------------|--------|
| | -\$- | -\$- | -\$- | -%- |
| 2011 Valuation | 81,597,375 | 6,019,837 | 8,824,024 | 55.46 |
| with Valuation Software Changes | 78,197,043 | 5,742,545 | 8,546,732 | 53.72 |
| 2012 Expected (for continuing Participants) | 77,879,205 | 5,927,884 | 8,688,040 | 55.62 |
| <u>Element of Experience</u> | | | | |
| Contribution Variance | 3,601,027 | 96,126 | 111,664 | 0.77 |
| Retirement | 923,985 | 115,183 | (34,481) | 3.43 |
| Active Mortality | (695,567) | (86,709) | (110,523) | (0.54) |
| Disability | (434,154) | (54,121) | (33,608) | (0.70) |
| Turnover | 80,647 | 10,053 | 52,488 | (0.43) |
| Inactive Mortality | 353,379 | 44,052 | 48,445 | 0.32 |
| Salaries | (2,794,834) | (406,102) | (557,323) | (0.92) |
| New Members, Rehires | 0 | 0 | 101,493 | (1.40) |
| Assets | 7,370,375 | 918,787 | 1,010,396 | 6.86 |
| Other, Data | 164,927 | 20,559 | (21,068) | (0.14) |
| Total Experience | 8,569,785 | 657,828 | 567,483 | 7.25 |
| Assumption Changes | 5,448,576 | 265,827 | 462,154 | 3.14 |
| 2012 Valuation | 91,897,566 | 6,851,539 | 9,717,677 | 66.01 |

Following is a discussion of some of the elements of experience:

Investment Return - The rate of return for the year ending September 30, 2012 was 16.6% on net mean market value, as shown in Exhibit 2C (2.8% on actuarial asset value, Exhibit 3). The expected rate of return on the actuarial value of assets is 7.9%. The resulting loss of \$7,370,375 increased the required sponsor contribution by \$1,010,396 or 6.86% of pay. Since 1977, the rate of return on market value has averaged 8.4% annually.

Salary Increases - During the period October 1, 2011 through September 30, 2012, covered payroll for the continuing actives increased less than expected, resulting in a decrease of \$2,794,834 in the Unfunded Liability and a decrease of \$557,323 in the required sponsor contribution. Covered payroll for continuing active participants at September 30, 2012 increased approximately 1.6% compared to an expected 6.9% increase.

Mortality - For active members there was 1 death; for inactive members there were 5 deaths (all with beneficiaries) as compared to about 5.71 expected. The Unfunded Liability decreased by \$342,188 and the required sponsor contribution decreased by \$62,078 or 0.22% of pay.

Disability - During the past year there were no disabilities, as compared to 1.33 expected. The Unfunded Liability decreased by \$434,154, and the required sponsor contribution decreased by \$33,608 or 0.70% of pay.

Turnover - From October 1, 2011 to September 30, 2012, there was 1 employee termination, as compared to about 3.1 predicted by the actuarial assumptions. The Unfunded Liability increased by \$80,647, and the required sponsor Contribution increased by \$52,488 (but decreased 0.43% as a percent of pay).

Retirement - There were 17 retirements during the period, as compared to 8.2 expected. The Unfunded Liability increased by \$923,985 and the required sponsor contribution decreased by \$34,481 but increased 3.43% of pay. The decrease in the required sponsor contribution consists of an increase of \$115,183 for amortization of the increase in Liability and \$149,664 savings in normal cost and interest since they are no longer active members.

Assumption Change - The interest rate used to determine System liabilities and costs was lowered to 7.7% for the October 1, 2012 actuarial valuation of the plan, continuing with the Board's decision to lower the interest rate 0.2% per year until a rate of 7.5% is used as of October 1, 2013. The Unfunded Liability increased by \$5,448,576 and the required sponsor contribution increased by \$462,154 or 3.14% of pay.

Valuation Software Change - Upon our selection by Pompano Beach as actuary for the System, we programmed the plan and data into our valuation system. The results created Unfunded Liability matching of 98.71% of the prior actuary's results, creating a reduction of \$3,400,332 in Unfunded Liability.

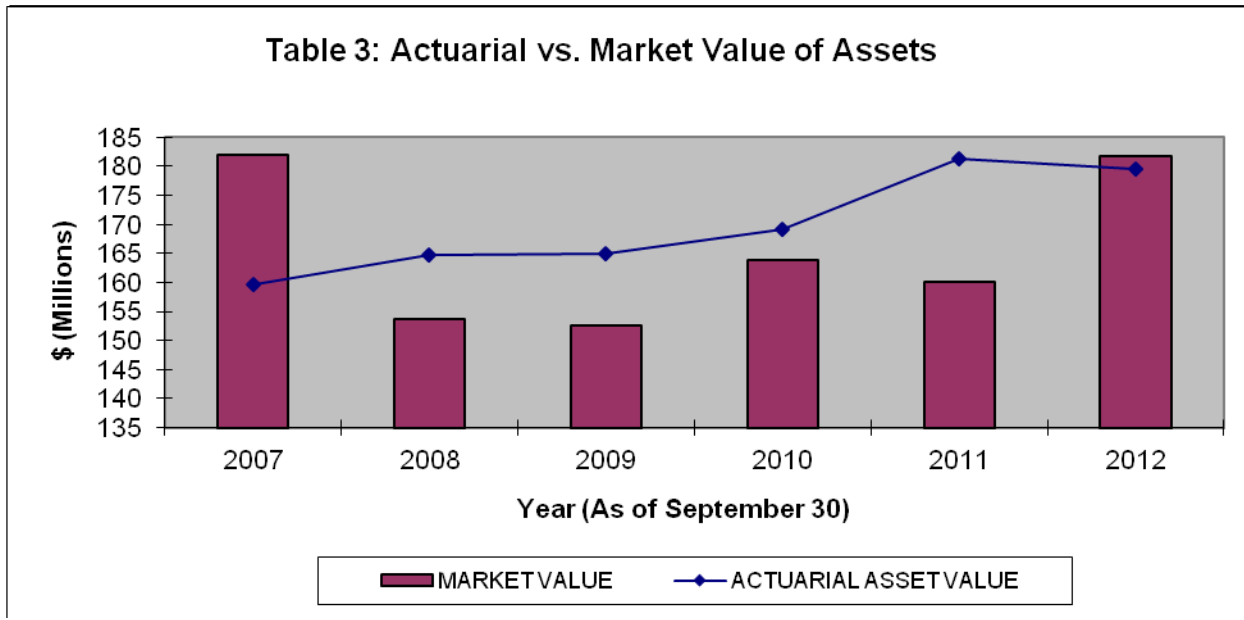
Contribution Variance - Contributions made to the System did not fully cover the normal cost and amortization of the Unfunded Liability. The variance is treated as an experience loss, increasing the Unfunded Liability by \$3,601,027 and the required sponsor contribution by \$111,664 or 0.77% of pay.

Plan Assets

Exhibits 2 and 3 show the asset transactions and investment results during the year. The rate of return on net mean market value for the period ending September 30, 2012 was 16.6%.

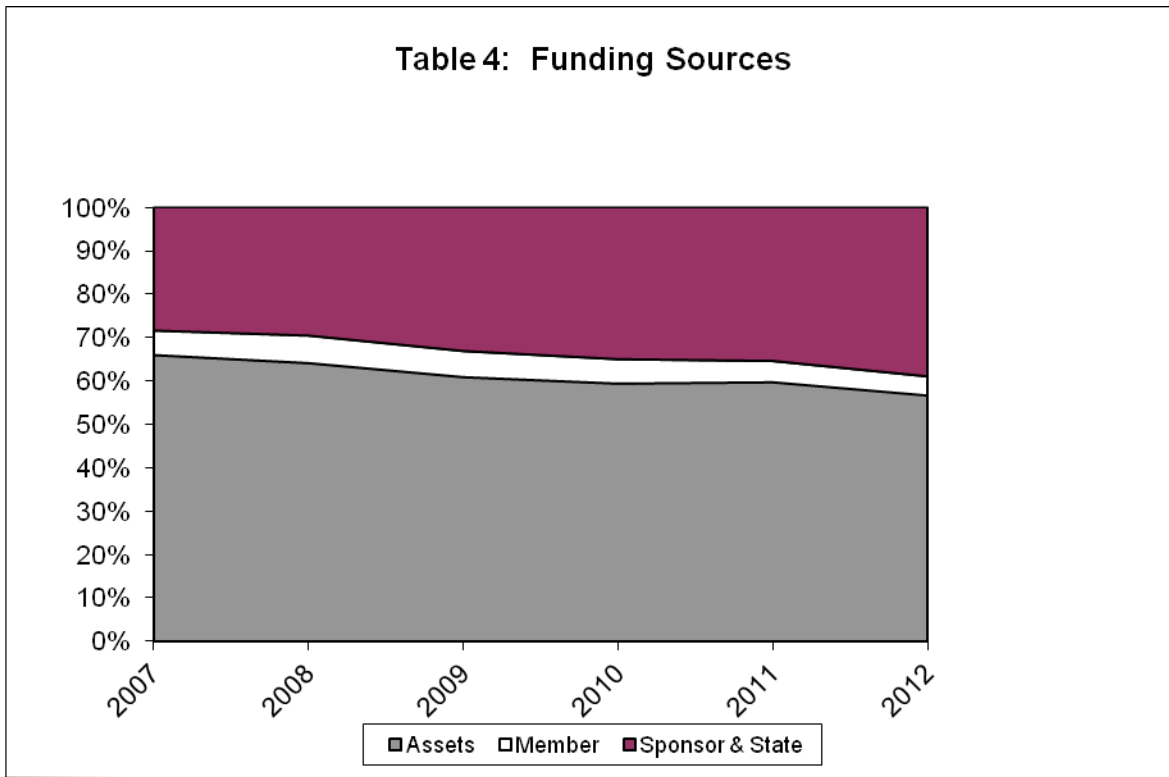
The actuarial asset valuation method (Exhibit 3) is the 20% Phase-In Method. Under this method the difference between the expected investment earnings and actual investment earnings is phased in at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.

As of September 30, 2012, the use of the Phase-In Method resulted in a return of 2.8% and in an actuarial asset value that is 99% of market value.



Sources of Benefit Funding

Table 4 compares the sources of benefit funding for the past 13 years. The present value of benefits is equal to 100% in the Table. The present value of benefits is provided by 3 sources; the actuarial value of current assets, the present value of future member contributions, and the present value of future city and state contributions.

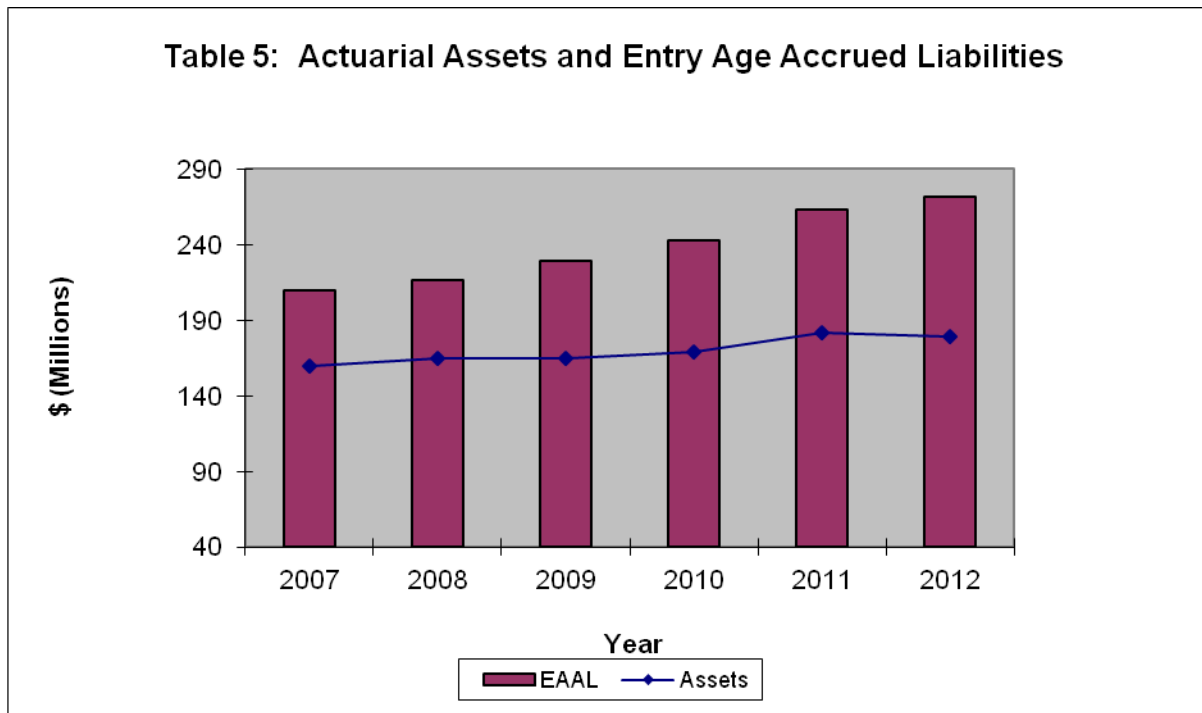


As of October 1, 2012, the actuarial value of assets equals 57% of the present value of projected benefits, the present value of employee contributions equals 4%, and the present value of City and State contributions equal 39%.

Funding Progress

The comparison of the actuarial accrued liability (entry age reserve) to System assets from one year to the next, or over a period of time, is a measure of interim funding progress.

This comparison of the entry age accrued liability to the actuarial value of assets is illustrated in Table 5. As of October 1, 2012 the actuarial value of assets of \$179,509,950 was 66% of the \$271,407,516 actuarial accrued liability. This compares to a ratio of 69% as of October 1, 2011. A ratio around 80% typically may be viewed to be a goal for a well-funded program.



Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued exposure drafts (Statement No. 67) to replace GASB Statement No. 25 (“Financial Reporting for Pension Plans”) and Statement No. 68 to replace Statement No. 27 (Financial Reporting for Pensions”).

Statement No. 67 is effective for the 2013/2014 fiscal year; Statement No. 68 is effective one year later.

The final Standards are scheduled for release in January 2014.

In general, the new statements mandate:

- blended discount rates to determine the actuarial liability;
- use of the entry age normal cost method;
- assets at market values;
- balance sheet recognition of the unfunded accrued liability;
- immediate recognition of unfunded liability changes due to benefit changes for retirees
- for benefit changes for active members, recognition would be recognized over future working lifetimes.

As was the case for GASB 25 and GASB 27, the new standards are not meant to dictate a funding basis.

Allocated Contribution Requirements (2013/2014)

The Division of Retirement is now requiring that plans covering both police and firefighters disclose the costs separately for the two groups. Since assets have not been separately maintained, this necessitates a hypothetical asset allocation. Exhibit 13 shows this allocation.

Enrolled Actuary's Statement

This report has been prepared in accordance with standards established by the American Academy of Actuaries. To the best of our knowledge, it reflects the actuarial condition of the Pompano Beach Police and Firefighters' Retirement System as of October 1, 2012.

All costs and cost components are calculated on the basis of actuarial assumptions which reasonably reflect the experience of the System.

This actuarial valuation and/or cost determination 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.

David D. Harris

3/14/2013

Signature

Date

Enrolled Actuary No. 11-5609

Copies of this Report are to be furnished to the Division of Retirement at the following addresses within 60 days of receipt from the actuary:

Ms. Patricia F. Shoemaker
Benefits Administrator
Municipal Police Officers' &
Firefighters' Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

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

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Total)

| | <u>10/01/2012</u> <u>7.7%</u> -\$- | <u>10/01/2012</u> <u>7.9%</u> -\$- | <u>10/01/2011</u> <u>Benchmark</u> -\$- | <u>10/01/2011*</u> -\$- |
|---|--|--|---|----------------------------|
| A. Present Value of Benefits | | | | |
| Active Members | | | | |
| - Retirement | 85,116,174 | 81,946,725 | 90,496,663 | 94,448,504 |
| - Disability | 12,252,420 | 11,843,654 | 11,969,229 | 10,308,394 |
| - Death | 2,862,612 | 2,756,789 | 2,835,109 | 2,828,879 |
| - Turnover | <u>2,611,199</u> | <u>2,516,381</u> | <u>2,792,910</u> | <u>1,611,478</u> |
| - Total | 102,842,405 | 99,063,549 | 108,093,911 | 109,197,255 |
| Inactive Members | | | | |
| - Retired and Beneficiaries | 197,717,568 | 194,117,468 | 178,278,205 | 177,803,303 |
| - Disabled | 14,993,353 | 14,715,877 | 15,271,102 | 15,270,167 |
| - Terminated Vested | <u>483,951</u> | <u>473,349</u> | <u>920,268</u> | <u>844,689</u> |
| - Total | 213,194,872 | 209,306,694 | 194,469,575 | 193,918,159 |
| Total Present Value of Benefits | 316,037,277 | 308,370,243 | 302,563,486 | 303,115,414 |
| B. Entry Age Accrued Liability | | | | |
| Active Members | | | | |
| - Retirement | 53,582,936 | 52,135,462 | | |
| - Disability | 3,381,413 | 3,313,837 | | |
| - Death | 900,212 | 877,910 | | |
| - Turnover | <u>348,083</u> | <u>325,037</u> | | |
| - Total | 58,212,644 | 56,652,246 | 65,067,684 | 69,019,430 |
| Inactive Members | <u>213,194,872</u> | <u>209,306,694</u> | <u>194,469,575</u> | <u>193,918,159</u> |
| Total Entry Age Accrued Liability | 271,407,516 | 265,958,940 | 259,537,441 | 262,937,589 |
| C. Actuarial Value of Assets | <u>179,509,950</u> | <u>179,509,950</u> | <u>181,340,214</u> | <u>181,340,214</u> |
| D. Unfunded Actuarial Accrued Liability | 91,897,566 | 86,448,990 | 78,197,227 | 81,597,375 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Total)
(Continued)

| | <u>10/01/2012</u> 7.7% -\$- | <u>10/1/2012</u> 7.9% -\$- | <u>10/01/2011</u> Benchmark -\$- | <u>10/01/2011*</u> -\$- |
|--|-----------------------------------|----------------------------------|--|----------------------------|
| E. Entry Age Normal Cost | | | | |
| - Retirement | 3,297,088 | 3,155,141 | 3,346,052 | 3,451,732 |
| - Disability | 917,189 | 892,575 | 891,037 | 782,424 |
| - Death | 211,835 | 205,245 | 211,530 | 223,714 |
| - Turnover | <u>277,428</u> | <u>270,674</u> | <u>306,801</u> | <u>232,849</u> |
| - Total | 4,703,540 | 4,523,635 | 4,755,420 | 4,690,719 |
| F. Contribution | | | | |
| Total Normal Cost at Valuation Date | 4,703,540 | 4,523,635 | | 4,690,719 |
| Expected Member Contribution | <u>1,701,308</u> | <u>1,701,996</u> | | <u>1,609,718</u> |
| Net Normal Cost | 3,002,232 | 2,821,639 | | 3,081,001 |
| Expected Salary Increases | 100,574 | 94,525 | | n/a |
| Amortization Payments | 6,851,539 | 6,585,712 | | 6,091,837 |
| Expected Expenses | 581,614 | 581,614 | | 639,659 |
| Interest to End of Year | 572,353 | 566,219 | | n/a |
| Total (City/BSO + State) | | | | <u>9,740,497</u> |
| Adjustment for 12/31/2013 Payment | <u>207,924</u> | <u>204,373</u> | | |
| Total (City/BSO + State) | 11,316,236 | 10,854,082 | | |
| Expected State Contribution** | <u>1,598,559</u> | <u>1,598,559</u> | | <u>1,570,481</u> |
| Expected City/BSO Contribution | 9,717,677 | 9,255,523 | | 8,527,015 |
| Assumed Payroll for Contribution Year | 14,722,198 | 14,722,198 | | |
| Contribution (% of Payroll) | 66.01% | 62.87% | | 55.46% |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Please note that proposed state legislation may change the amount of premium tax revenues that may be used to fund benefits

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Police)

| | <u>10/01/2012</u> | <u>10/01/2012</u> | <u>10/01/2011*</u> |
|---|--------------------|--------------------|--------------------|
| | <u>7.7%</u> | <u>7.9%</u> | |
| | <u>-\$-</u> | <u>-\$-</u> | <u>-\$-</u> |
| A. Present Value of Benefits | | | |
| Active Members | | | |
| - Retirement | 21,005,552 | 20,461,069 | 32,528,307 |
| - Disability | 588,079 | 573,967 | 725,738 |
| - Death | 215,645 | 209,819 | 316,202 |
| - Turnover | <u>739,323</u> | <u>717,115</u> | <u>258,975</u> |
| - Total | 22,548,599 | 21,961,970 | 33,829,222 |
| Inactive Members | | | |
| - Retired and Beneficiaries | 111,809,619 | 109,714,449 | 96,323,677 |
| - Disabled | 8,735,807 | 8,565,622 | 8,518,800 |
| - Terminated Vested | <u>483,951</u> | <u>473,349</u> | <u>844,689</u> |
| - Total | 121,029,377 | 118,753,420 | 105,687,166 |
| Total Present Value of Benefits | 143,577,976 | 140,715,390 | 139,516,388 |
| B. Entry Age Accrued Liability | | | |
| Active Members | | | |
| - Retirement | 18,971,231 | 18,526,732 | |
| - Disability | 299,673 | 294,694 | |
| - Death | 120,412 | 117,903 | |
| - Turnover | <u>344,164</u> | <u>337,760</u> | |
| - Total | 19,735,480 | 19,277,089 | 30,137,050 |
| Inactive Members | <u>121,029,377</u> | <u>118,753,420</u> | <u>105,687,166</u> |
| Total Entry Age Accrued Liability | 140,764,857 | 138,030,509 | 135,824,216 |
| C. Actuarial Value of Assets (Exhibit 13) | <u>89,050,746</u> | <u>89,050,746</u> | <u>92,828,275</u> |
| D. Unfunded Actuarial Accrued Liability | 51,714,111 | 48,979,763 | 42,995,941 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Police)
(Continued)

| | <u>10/01/2012</u> 7.7% -\$- | <u>10/01/2012</u> 7.9% -\$- | <u>10/01/2011*</u> -\$- |
|--|-----------------------------------|-----------------------------------|----------------------------|
| E. Entry Age Normal Cost | | | |
| - Retirement | 553,788 | 528,845 | 849,288 |
| - Disability | 76,770 | 74,643 | 102,882 |
| - Death | 26,998 | 26,149 | 45,923 |
| - Turnover | <u>106,910</u> | <u>103,050</u> | <u>99,959</u> |
| - Total | 764,466 | 732,687 | 1,098,052 |
| F. Contribution | | | |
| Total Normal Cost at Valuation Date | 764,466 | 732,687 | 1,098,052 |
| Expected Member Contribution | <u>298,602</u> | <u>298,701</u> | <u>348,369</u> |
| Net Normal Cost | 465,864 | 433,986 | 749,683 |
| Expected Salary Increases | 15,606 | 14,539 | n/a |
| Amortization Payments | 4,288,264 | 4,134,319 | 3,576,488 |
| Expected Expenses | 284,645 | 284,645 | 323,535 |
| Interest to End of Year | 352,114 | 349,098 | <u>n/a</u> |
| Total (City/BSO + State) | | | 4,649,706 |
| Adjustment for 12/31/2013 Payment | <u>101,198</u> | <u>100,109</u> | |
| Total (City/BSO + State) | 5,507,691 | 5,316,696 | |
| Expected State Contribution** | <u>777,329</u> | <u>777,329</u> | |
| Expected City/BSO Contribution | 4,730,362 | 4,539,367 | |
| Assumed Payroll for Contribution Year | 2,492,528 | 2,492,528 | |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Please note that proposed state legislation may change the amount of premium tax revenues that may be used to fund benefits.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Fire)

| | <u>10/01/2012</u> <u>7.7%</u> -\$- | <u>10/01/2012</u> <u>7.9%</u> -\$- | <u>10/01/2011*</u> -\$- |
|---|--|--|----------------------------|
| A. Present Value of Benefits | | | |
| Active Members | | | |
| - Retirement | 64,110,622 | 61,485,656 | 61,920,197 |
| - Disability | 11,664,341 | 11,269,687 | 9,582,656 |
| - Death | 2,646,967 | 2,546,970 | 2,512,677 |
| - Turnover | <u>1,871,876</u> | <u>1,799,266</u> | <u>1,352,503</u> |
| - Total | 80,293,806 | 77,101,579 | 75,368,033 |
| Inactive Members | | | |
| - Retired and Beneficiaries | 85,907,949 | 84,403,019 | 81,479,626 |
| - Disabled | 6,257,546 | 6,150,255 | 6,751,367 |
| - Terminated Vested | <u>0</u> | <u>0</u> | <u>0</u> |
| - Total | 92,165,495 | 90,553,274 | 88,230,993 |
| Total Present Value of Benefits | 172,459,301 | 167,654,853 | 163,599,026 |
| B. Entry Age Accrued Liability | | | |
| Active Members | | | |
| - Retirement | 34,611,705 | 33,608,730 | |
| - Disability | 3,081,740 | 3,019,143 | |
| - Death | 779,800 | 760,007 | |
| - Turnover | <u>3,919</u> | <u>(12,723)</u> | |
| - Total | 38,477,164 | 37,375,157 | 38,882,380 |
| Inactive Members | <u>92,165,495</u> | <u>90,553,274</u> | <u>88,230,993</u> |
| Total Entry Age Accrued Liability | 130,642,659 | 127,928,431 | 127,113,373 |
| C. Actuarial Value of Assets (Exhibit 13) | <u>90,459,204</u> | <u>90,459,204</u> | <u>88,511,939</u> |
| D. Unfunded Actuarial Accrued Liability | 40,183,455 | 37,469,227 | 38,601,434 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Contribution Requirements (Fire)
(Continued)

| | <u>10/01/2012</u> 7.7% -\$- | <u>10/01/2012</u> 7.9% -\$- | <u>10/01/2011*</u> -\$- |
|--|-----------------------------------|-----------------------------------|----------------------------|
| E. Entry Age Normal Cost | | | |
| - Retirement | 2,743,300 | 2,626,296 | 2,602,444 |
| - Disability | 840,419 | 817,932 | 679,542 |
| - Death | 184,837 | 179,096 | 177,791 |
| - Turnover | <u>170,518</u> | <u>167,624</u> | <u>132,890</u> |
| - Total | 3,939,074 | 3,790,948 | 3,592,667 |
| F. Contribution | | | |
| Total Normal Cost at Valuation Date | 3,939,074 | 3,790,948 | 3,592,667 |
| Expected Member Contribution | <u>1,402,706</u> | <u>1,403,295</u> | <u>1,261,349</u> |
| Net Normal Cost | 2,536,368 | 2,387,653 | 2,331,318 |
| Expected Salary Increases | 84,968 | 79,986 | n/a |
| Amortization Payments | 2,563,275 | 2,451,393 | 2,443,349 |
| Expected Expenses | 296,969 | 296,969 | 316,124 |
| Interest to End of Year | 220,239 | 217,121 | n/a |
| Total (City/BSO + State) | | | 5,090,791 |
| Adjustment for 12/31/2013 Payment | <u>106,726</u> | <u>104,264</u> | |
| Total (City/BSO + State) | 5,808,545 | 5,537,386 | |
| Expected State Contribution** | <u>821,230</u> | <u>821,230</u> | |
| Expected City/BSO Contribution | 4,987,315 | 4,716,156 | |
| Assumed Payroll for Contribution Year | 12,229,670 | 12,229,670 | |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Please note that proposed state legislation may change the amount of premium tax revenues that may be used to fund benefits.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Reconciliation of Unfunded Actuarial Accrued Liability

| | |
|--|------------------|
| | -\$- |
| A. Unfunded Actuarial Accrued Liability | |
| 1. As of October 1, 2011 | 81,597,375 |
| 2. Valuation Software Change | (3,400,332) |
| 3. Total | 78,197,043 |
| B. Normal Cost and Expenses | 3,727,600 |
| C. Interest on (A) and (B) for full year at 7.9% | 6,472,047 |
| D. City and State Contributions | (7,126,164) |
| E. Interest on (D) for half year at 7.9% | (281,483) |
| F. Expected Unfunded Actuarial Accrued Liability As of September 30, 2012 | 80,989,043 |
| G. 2011/2012 (Gain) Loss | 5,459,947 |
| H. Unfunded Actuarial Accrued Liability As of September 30, 2012 | 86,448,990 |
| I. Plan Amendments | N/A |
| J. Change in Assumptions and Methods | 5,448,576 |
| K. Change in Applicable Laws | N/A |
| L. Unfunded Actuarial Accrued Liability As of October 1, 2012 | <hr/> 91,897,566 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Schedule of Unfunded Liabilities
(As of October 1, 2012)

Amortization Payment (Police)

| <u>Date</u> | <u>Description</u> | <u>Original Amount</u> -\$- | <u>10/01/2012 Remaining Balance</u> -\$- | <u>Remaining Amortization Balance</u> | <u>Annual Payment</u> -\$- |
|-------------|-----------------------|------------------------------------|---|---|-----------------------------------|
| 10/1/1983 | Method Change | (686,169) | (97,684) | 1 | (97,684) |
| 10/1/1983 | Assumption Change | 2,201,189 | 281,031 | 1 | 281,031 |
| 10/1/1983 | Actuarial Loss (Gain) | (179,155) | (25,505) | 1 | (25,505) |
| 10/1/1984 | Assumption Change | (982,524) | (241,453) | 2 | (125,202) |
| 10/1/1984 | Actuarial Loss (Gain) | 387,726 | 85,450 | 2 | 44,309 |
| 10/1/1985 | Plan Amendment | 38,875 | 11,375 | 3 | 4,076 |
| 10/1/1985 | Actuarial Loss (Gain) | (417,177) | (136,120) | 3 | (48,778) |
| 10/1/1986 | Assumption Change | 378,260 | 136,433 | 4 | 37,992 |
| 10/1/1986 | Actuarial Loss (Gain) | (1,104,307) | (444,143) | 4 | (123,678) |
| 10/1/1987 | Method Change | 670,685 | 287,195 | 5 | 66,260 |
| 10/1/1987 | Actuarial Loss (Gain) | (592,770) | (283,040) | 5 | (65,301) |
| 10/1/1988 | Actuarial Loss (Gain) | 260,282 | 128,081 | 6 | 25,491 |
| 10/1/1989 | Actuarial Loss (Gain) | 67,725 | 36,387 | 7 | 6,423 |
| 10/1/1990 | Actuarial Loss (Gain) | (173,266) | (112,274) | 8 | (17,935) |
| 10/1/1991 | Assumption Change | (4,082) | (2,979) | 9 | (437) |
| 10/1/1991 | Actuarial Loss (Gain) | (298,306) | (217,714) | 9 | (31,957) |
| 10/1/1992 | Assumption Change | (3,250) | (2,497) | 10 | (341) |
| 10/1/1992 | Actuarial Loss (Gain) | (721,063) | (553,581) | 10 | (75,568) |
| 10/1/1993 | Assumption Change | (53,335) | (43,279) | 11 | (5,547) |
| 10/1/1993 | Actuarial Loss (Gain) | (301,531) | (244,672) | 11 | (31,361) |
| 10/1/1994 | Assumption Change | 768,410 | 594,000 | 12 | 72,052 |
| 10/1/1994 | Actuarial Loss (Gain) | 422,754 | 326,795 | 12 | 39,640 |
| 10/1/1995 | Assumption Change | (311,136) | (282,777) | 13 | (32,673) |
| 10/1/1995 | Actuarial Loss (Gain) | (271,042) | (246,336) | 13 | (28,463) |
| 10/1/1996 | Assumption Change | (374,561) | (365,469) | 14 | (40,446) |

*Information for bases established prior to 10/1/2012 based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Schedule of Unfunded Liabilities
(As of October 1, 2012)

Amortization Payment (Police)

| <u>Date</u> | <u>Description</u> | <u>Original Amount</u> | <u>10/01/2012 Remaining Balance</u> | <u>Remaining Amortization Balance</u> | <u>Annual Payment</u> |
|-------------|---------------------------|----------------------------|---|---|---------------------------|
| | | -\$- | -\$- | | -\$- |
| 10/1/1996 | Actuarial Loss (Gain) | (276,460) | (269,750) | 14 | (29,853) |
| 10/1/1997 | Assumption Change | 1,345,971 | 1,356,441 | 15 | 144,458 |
| 10/1/1997 | Actuarial Loss (Gain) | (3,074,778) | (3,455,255) | 15 | (367,977) |
| 10/1/1998 | Plan Amendment | (337,295) | (380,339) | 16 | (39,135) |
| 10/1/1998 | Actuarial Loss (Gain) | (3,155,507) | (3,558,192) | 16 | (366,125) |
| 10/1/1999 | Actuarial Loss (Gain) | (2,565,536) | (2,903,269) | 17 | (289,640) |
| 10/1/2000 | Assumption Change | (18,775,480) | (20,496,916) | 18 | (1,988,629) |
| 10/1/2000 | Plan Amendment | 11,651,128 | 12,719,366 | 18 | 1,234,044 |
| 10/1/2000 | Actuarial Loss (Gain) | 3,153,187 | 3,442,288 | 18 | 333,974 |
| 10/1/2001 | Variable COLA | 484,615 | 530,782 | 19 | 50,215 |
| 10/1/2001 | Plan Amendment | 377,521 | 413,488 | 19 | 39,118 |
| 10/1/2001 | Actuarial Loss (Gain) | 5,917,320 | 6,481,045 | 19 | 613,146 |
| 10/1/2002 | Actuarial Loss (Gain) | 13,547,635 | 15,901,852 | 20 | 1,470,427 |
| 10/1/2003 | Actuarial Loss (Gain) | 8,453,577 | 8,748,910 | 21 | 792,383 |
| 10/1/2004 | Actuarial Loss (Gain) | 7,733,735 | 7,737,259 | 22 | 687,642 |
| 10/1/2005 | Plan Amendment | 528,766 | 433,830 | 23 | 37,898 |
| 10/1/2005 | Actuarial Loss (Gain) | 1,811,918 | 1,782,609 | 23 | 155,721 |
| 10/1/2006 | Actuarial Loss (Gain) | (2,245,390) | (2,217,303) | 24 | (190,670) |
| 10/1/2007 | Actuarial Loss (Gain) | (3,930,059) | (3,943,322) | 25 | (334,248) |
| 10/1/2008 | Assumption Change | (2,460,748) | (2,533,478) | 26 | (211,934) |
| 10/1/2008 | Actuarial Loss (Gain) | 4,312,669 | 4,440,132 | 26 | 371,431 |
| 10/1/2009 | Assumption Change | 2,211,808 | 2,287,958 | 27 | 189,096 |
| 10/1/2009 | Actuarial Loss (Gain) | 4,953,816 | 5,124,372 | 27 | 423,521 |
| 10/1/2010 | Assumption Change | 2,351,731 | 2,408,529 | 28 | 196,865 |
| 10/1/2010 | Actuarial Loss (Gain) | 4,329,632 | 4,434,200 | 28 | 362,437 |
| 10/1/2011 | Assumption Change | 2,628,245 | 2,604,615 | 29 | 210,734 |
| 10/1/2011 | Actuarial Loss (Gain) | 2,882,428 | 2,856,513 | 29 | 231,115 |
| 10/1/2012 | Valuation Software Change | (955,577) | (955,577) | 30 | (76,593) |
| 10/1/2012 | Assumption Change | 2,734,348 | 2,734,348 | 30 | 219,168 |
| 10/1/2012 | Actuarial Loss (Gain) | 7,401,751 | <u>7,401,751</u> | 30 | <u>593,277</u> |
| | | | 51,714,111 | | 4,288,264 |

*Information for bases established prior to 10/1/2012 based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Schedule of Unfunded Liabilities

(As of October 1, 2012)

Amortization Payment (Fire)

| <u>Date</u> | <u>Description</u> | <u>Original Amount</u> | <u>10/01/2012 Remaining Balance</u> | <u>Remaining Amortization Balance</u> | <u>Annual Payment</u> |
|-------------|-----------------------|----------------------------|---|---|---------------------------|
| | | -\$- | -\$- | | -\$- |
| 10/1/1983 | Method Change | (545,434) | (53,045) | 1 | (53,045) |
| 10/1/1983 | Assumption Change | 1,749,721 | 152,606 | 1 | 152,606 |
| 10/1/1983 | Actuarial Loss (Gain) | (142,410) | (13,850) | 1 | (13,850) |
| 10/1/1984 | Assumption Change | (781,007) | (139,846) | 2 | (71,364) |
| 10/1/1984 | Actuarial Loss (Gain) | 308,203 | 49,492 | 2 | 25,256 |
| 10/1/1985 | Plan Amendment | 30,901 | 6,910 | 3 | 2,399 |
| 10/1/1985 | Actuarial Loss (Gain) | (331,614) | (82,658) | 3 | (28,696) |
| 10/1/1986 | Assumption Change | 300,679 | 85,987 | 4 | 22,844 |
| 10/1/1986 | Actuarial Loss (Gain) | (877,812) | (279,918) | 4 | (74,365) |
| 10/1/1987 | Method Change | 533,126 | 186,603 | 5 | 40,460 |
| 10/1/1987 | Actuarial Loss (Gain) | (471,191) | (183,902) | 5 | (39,874) |
| 10/1/1988 | Actuarial Loss (Gain) | 206,898 | 85,379 | 6 | 15,736 |
| 10/1/1989 | Actuarial Loss (Gain) | 53,834 | 24,799 | 7 | 3,996 |
| 10/1/1990 | Actuarial Loss (Gain) | (137,729) | (77,999) | 8 | (11,213) |
| 10/1/1991 | Assumption Change | (3,244) | (2,104) | 9 | (274) |
| 10/1/1991 | Actuarial Loss (Gain) | (237,123) | (153,838) | 9 | (20,044) |
| 10/1/1992 | Assumption Change | (2,583) | (1,790) | 10 | (214) |
| 10/1/1992 | Actuarial Loss (Gain) | (573,171) | (397,150) | 10 | (47,477) |
| 10/1/1993 | Assumption Change | (42,396) | (31,472) | 11 | (3,486) |
| 10/1/1993 | Actuarial Loss (Gain) | (239,687) | (177,943) | 11 | (19,712) |
| 10/1/1994 | Assumption Change | 610,808 | 437,392 | 12 | 45,267 |
| 10/1/1994 | Actuarial Loss (Gain) | 336,046 | 240,633 | 12 | 24,904 |
| 10/1/1995 | Assumption Change | (247,322) | (210,591) | 13 | (20,501) |
| 10/1/1995 | Actuarial Loss (Gain) | (215,450) | (183,453) | 13 | (17,859) |
| 10/1/1996 | Assumption Change | (297,737) | (275,023) | 14 | (25,330) |

*Information for bases established prior to 10/1/2012 based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Schedule of Unfunded Liabilities

(As of October 1, 2012)

Amortization Payment (Fire)

| <u>Date</u> | <u>Description</u> | <u>Original Amount</u> | <u>10/01/2012 Remaining Balance</u> | <u>Remaining Amortization Balance</u> | <u>Annual Payment</u> |
|-------------|---------------------------|----------------------------|---|---|---------------------------|
| | | -\$- | -\$- | | -\$- |
| 10/1/1996 | Actuarial Loss (Gain) | (219,757) | (202,991) | 14 | (18,696) |
| 10/1/1997 | Assumption Change | 1,069,910 | 1,030,584 | 15 | 90,253 |
| 10/1/1997 | Actuarial Loss (Gain) | (2,444,135) | (2,625,196) | 15 | (229,900) |
| 10/1/1998 | Plan Amendment | (268,116) | (291,551) | 16 | (24,382) |
| 10/1/1998 | Actuarial Loss (Gain) | (2,508,306) | (2,727,558) | 16 | (228,102) |
| 10/1/1999 | Plan Amendment | 114,009 | 125,453 | 17 | 10,057 |
| 10/1/1999 | Actuarial Loss (Gain) | (2,039,340) | (2,244,001) | 17 | (179,884) |
| 10/1/2000 | Assumption Change | (13,798,204) | (14,558,184) | 18 | (1,122,379) |
| 10/1/2000 | Plan Amendment | 8,646,272 | 9,122,493 | 18 | 703,308 |
| 10/1/2000 | Actuarial Loss (Gain) | 676,828 | 714,107 | 18 | 55,055 |
| 10/1/2000 | Plan Amendment | 299,541 | 316,041 | 18 | 24,366 |
| 10/1/2001 | Actuarial Loss (Gain) | 7,539,001 | 7,937,524 | 19 | 590,285 |
| 10/1/2002 | Actuarial Loss (Gain) | 9,466,755 | 12,681,083 | 20 | 912,058 |
| 10/1/2003 | Actuarial Loss (Gain) | 7,616,087 | 9,287,691 | 21 | 647,576 |
| 10/1/2004 | Actuarial Loss (Gain) | 6,692,396 | 7,844,326 | 22 | 531,352 |
| 10/1/2005 | Plan Amendment | 4,413,733 | 5,027,508 | 23 | 331,484 |
| 10/1/2005 | Actuarial Loss (Gain) | 2,591,529 | 2,951,903 | 23 | 194,631 |
| 10/1/2006 | Actuarial Loss (Gain) | (2,040,207) | (2,281,071) | 24 | (146,654) |
| 10/1/2007 | Actuarial Loss (Gain) | (868,128) | (963,064) | 25 | (60,472) |
| 10/1/2008 | Assumption Change | (2,812,893) | (3,087,785) | 26 | (189,637) |
| 10/1/2008 | Actuarial Loss (Gain) | 3,519,341 | 3,863,273 | 26 | 237,264 |
| 10/1/2009 | Assumption Change | 2,293,100 | 2,479,544 | 27 | 149,146 |
| 10/1/2009 | Plan Amendment | 23,114 | 24,994 | 27 | 1,503 |
| 10/1/2009 | Actuarial Loss (Gain) | 3,014,143 | 3,259,212 | 27 | 196,043 |
| 10/1/2010 | Assumption Change | 2,377,230 | 2,514,048 | 28 | 148,291 |
| 10/1/2010 | Actuarial Loss (Gain) | (904,732) | (956,802) | 28 | (56,437) |
| 10/1/2011 | Actuarial Loss (Gain) | (1,874,268) | (1,904,777) | 29 | (110,302) |
| 10/1/2011 | Assumption Change | 2,629,741 | 2,672,551 | 29 | 154,762 |
| 10/1/2012 | Valuation Software Change | (2,713,381) | (2,713,381) | 30 | (154,422) |
| 10/1/2012 | Assumption Change | 2,714,228 | 2,714,228 | 30 | 154,470 |
| 10/1/2012 | Actuarial Loss (Gain) | 1,168,034 | <u>1,168,034</u> | 30 | <u>66,474</u> |
| | | | 40,183,455 | | 2,563,275 |

*Information for bases established prior to 10/1/2012 based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Reserve Account For Future Benefit Improvements Under F.L. 99-1*

I. Adjusted Base Amount at 10/1/2012

| <u>Year Established</u> | <u>Description</u> | <u>Ch. 185 Police -\$-</u> | <u>Ch. 175 Fire -\$-</u> | <u>Suppl. Fire -\$-</u> | <u>Total -\$-</u> |
|-----------------------------|------------------------------------|------------------------------------|----------------------------------|---------------------------------|-----------------------|
| | Adjusted Base Amount as of 10/1/10 | 798,463 | 704,031 | 28,723 | 1,531,217 |
| 2012 | Ordinances 2012-30/31 | 0 | 88,476 | 0 | 88,476 |
| | Adjusted Base Amount | <u>798,463</u> | <u>792,507</u> | <u>28,723</u> | <u>1,619,693</u> |

II. Reserve Account for 2011/2012

| | <u>Ch. 185 Police -\$-</u> | <u>Ch. 175 Fire -\$-</u> | <u>Suppl. Fire -\$-</u> | <u>Total -\$-</u> |
|---|------------------------------------|----------------------------------|---------------------------------|-----------------------|
| A. Reserve Account at September 30, 2011 | 215,163 | 230,839 | 251,627 | 697,629 |
| B. Share Plan Allocation | 0 | (230,839) | (251,627) | (482,466) |
| C. Increase in Reserve Account | | | | |
| 1. Premium Tax Distribution for 2011 | 777,329 | 1,054,292 | 202,957 | 2,034,578 |
| 2. Date received | 10/1/2012 | 10/1/2012 | 10/17/2012 | |
| 3. Adjusted Base Amount | 798,463 | 792,507 | 28,723 | 1,619,693 |
| 4. Net Increase in Reserve Account | 0 | 261,785 | 174,234 | 436,019 |
| D. Reserve Account at September 30, 2012 (A)+ (B) + (C4) | <u>215,163</u> | <u>261,785**</u> | <u>174,234**</u> | <u>651,182</u> |

* Note that proposed state legislation may impact the use of premium tax revenues and reserves for the funding of plan benefits.

** Allocated to Share Plan January 1, 2013.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Asset Transactions

| | <u>2011/2012</u> | <u>2010/2011*</u> |
|---|-------------------|-------------------|
| | -\$- | -\$- |
| A. Market Value as of October 1 | 178,258,967 | 181,159,070 |
| B. Adjustment to Market Value | <u>0</u> | <u>0</u> |
| | 178,258,967 | 181,159,070 |
| C. Additions During Year | | |
| 1. City Contributions | 2,931,056 | 3,534,452 |
| 2. BSO Contributions | 2,596,549 | 2,551,171 |
| 3. Member Contributions | 1,500,717 | 1,613,075 |
| 4. State Contributions | 2,034,578 | 2,052,947 |
| 5. Dividends and Interest | 3,953,249 | 3,866,320 |
| 6. Miscellaneous | <u>98,521</u> | <u>60,271</u> |
| 7. Total | 13,114,670 | 13,565,581 |
| D. Deductions During Year | | |
| 1. Benefit Payments | 14,048,025 | 12,764,245 |
| 2. DROP Distributions | 1,873,775 | 2,284,659 |
| 3. Contribution Refunds | 250,631 | 0 |
| 4. Investment Expenses | 1,194,139 | 1,170,465 |
| 5. Administrative Expenses | <u>595,374</u> | <u>567,853</u> |
| 6. Total | 17,961,944 | 16,787,222 |
| E. Gains (Losses) | <u>26,147,200</u> | <u>208,883</u> |
| F. Market Value as of September 30 (A)+(B)+(C)-(D)+(E) | 199,558,893 | 178,258,967 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Asset Transactions
for Year Ending
September 30, 2012

| | <u>Membership and Benefit Accounts</u> | <u>DROP Accounts</u> | <u>Total</u> |
|---|--|--------------------------|----------------|
| | -\$- | -\$- | -\$- |
| A. Market Value | | | |
| 1. As of September 30, 2011* | 164,124,469 | 14,134,498 | 178,258,967 |
| 2. Adjustment to Market Value** | 0 | 0 | 0 |
| B. Income During Year | | | |
| 1. City Contributions | 2,931,056 | 0 | 2,931,056 |
| 2. BSO Contributions | 2,596,549 | 0 | 2,596,549 |
| 3. Member Contributions | 1,500,717 | 0 | 1,500,717 |
| 4. State Contributions | 2,034,578 | 0 | 2,034,578 |
| 5. Dividends and Interest | 3,953,249 | 0 | 3,953,249 |
| 6. Gains (Losses) | 26,147,200 | 0 | 26,147,200 |
| 7. Income Allocation | (2,000,508) | 2,000,508 | 0 |
| 8. Miscellaneous | <u>98,521</u> | <u>0</u> | <u>98,521</u> |
| 9. Total | 37,261,362 | 2,000,508 | 39,261,870 |
| C. Deductions During Year | | | |
| 1. Benefit Payments | 11,163,589 | (2,884,436) | 14,048,025 |
| 2. DROP Distributions | 0 | 1,873,775 | 1,873,775 |
| 3. Contribution Refunds | 250,631 | 0 | 250,631 |
| 4. Investment Expenses | 1,194,139 | 0 | 1,194,139 |
| 5. Administrative Expenses | <u>595,374</u> | <u>0</u> | <u>595,374</u> |
| 6. Total | 13,203,733 | (1,010,661) | 17,961,944 |
| D. Market Value as of September 30, 2012 | | | |
| (A)+(B)-(C) | 188,182,098 | 17,145,667 | 199,558,893 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Adjustment to match auditor's report

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Distribution of Assets as of September 30, 2012

| <u>Description</u> | <u>10/01/2012</u> | <u>10/01/2011</u> |
|-------------------------------------|--------------------|--------------------|
| | -\$- | -\$- |
| Short Term Investments | 9,213,177 | 13,578,932 |
| Equity Securities | 130,829,631 | 109,675,180 |
| Domestic Fixed Income | 50,279,186 | 42,130,674 |
| Real Estate | 3,428,960 | 3,475,477 |
| Property and Equipment | 57,465 | 65,424 |
| Mutual Funds | 12,745,122 | 7,513,063 |
| A. Sub-Totals | 206,553,541 | 176,438,750 |
| B. Cash and Equivalents | 5,472 | 754 |
| Receivables: | | |
| Prepaid Benefits | 1,350 | 1,118,901 |
| City Contributions | 0 | 0 |
| Accounts Receivable | 373,556 | 157,171 |
| State Contributions | 0 | 117,962 |
| Member Contributions | 0 | 0 |
| Accrued Interest and Dividends | 460,997 | 434,372 |
| Securities Proceeds | <u>3,631,382</u> | <u>4801,550</u> |
| C. Sub-Total | 4,467,285 | 6,629,956 |
| Payables: | | |
| Accounts Payable & Accrued Expenses | 345,323 | 254,594 |
| Payable for Securities Purchased | 6,915,440 | 2,665,119 |
| Advance Contribution from City | <u>4,206,642</u> | <u>1,890,780</u> |
| D. Sub-Total | <u>11,467,405</u> | <u>4,810,493</u> |
| Total (A+B+C-D) | 199,558,893 | 178,258,967 |
| Funding Adjustments: | | |
| E. State Reserve Account (Ex. 1D) | (651,182) | (4,084,557) |
| F. DROP Accounts | (17,145,667) | (14,134,498) |
| Assets available for benefits | <u>181,762,044</u> | <u>160,039,912</u> |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Investment Results

I. Yield on Mean Market Value for 12-Month Period Ending 9/30/2012

| | | |
|-------------------------------|--------------------|--------------|
| | -\$- | -%- |
| Interest and Dividends | 3,953,249 | 2.3 |
| Realized and Unrealized Gains | 26,147,200 | 15.0 |
| Investment Expenses | <u>(1,194,139)</u> | <u>(0.7)</u> |
| Total | 28,906,310 | 16.6 |

II. History of Investment Yield Rates *

| <u>Period Ending</u> | <u>Actuarial Asset Value</u> | <u>Market Value</u> |
|----------------------|----------------------------------|---------------------|
| | -%- | -%- |
| 9/30/12 | 2.8 | 16.6 |
| 9/30/11 | 1.2 | 1.7 |
| 9/30/10 | 5.6 | 10.4 |
| 9/30/09 | 2.3 | 1.8 |
| 9/30/08 | 3.6 | (14.3) |
| 9/30/07 | 10.0 | 12.8 |
| 9/30/06 | 10.5 | 6.2 |
| 9/30/05 | 5.9 | 10.5 |
| 9/30/04 | (0.7) | 9.6 |
| 9/30/03 | (2.4) | 17.6 |
| 9/30/02 | (6.3) | (11.0) |
| 9/30/01 | (0.6) | (10.3) |
| 9/30/00 | 12.9 | 12.7 |
| 9/30/99 | 11.8 | 12.7 |
| 9/30/98 | 13.3 | 6.8 |
| 9/30/97 | 13.6 | 22.1 |
| 9/30/96 | 8.6 | 12.4 |
| 9/30/95 | 7.5 | 20.2 |
| 9/30/94 | 2.9 | (1.6) |
| 9/30/93 | 8.9 | 6.6 |
| 9/30/92 | 11.0 | 11.4 |
| 9/30/91 | 9.8 | 19.1 |
| 9/30/90 | 9.0 | 5.5 |
| 9/30/89 | 10.2 | 14.7 |
| 9/30/88 | 8.2 | 2.0 |
| 9/30/87 | 9.4 | 12.3 |
| 9/30/86 | 18.6 | 21.6 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Investment Results

II. History of Investment Yield Rates *(continued)

| <u>Period Ending</u> | <u>Actuarial Asset Value*</u> | <u>Market Value**</u> |
|----------------------|-----------------------------------|-----------------------|
| | -%- | -%- |
| 9/30/85 | 14.7 | 16.5 |
| 9/30/84 | 10.5 | 4.3 |
| 9/30/83 | 11.3 | 17.8 |
| 9/30/82 | 14.9 | 21.8 |
| 9/30/81 | 9.0 | 5.0 |
| 9/30/80 | 8.6 | 9.6 |
| 9/30/79 | 9.1 | 7.9 |
| 9/30/78 | 3.1 | 3.5 |
| 9/30/77 | 2.2 | (0.3) |

Compounded Averages

| | | |
|------------------|------------|------------|
| 3 Years | 3.2 | 9.4 |
| 5 Years | 3.1 | 2.7 |
| 10 Years | 3.8 | 6.9 |
| 20 Years | 5.4 | 6.7 |
| All Years | 7.4 | 8.4 |

* Net of investment expenses since 9/30/90

** Net of investment expenses since 9/30/05

NOTE: Information prior to 9/30/2012 based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Development of Actuarial Asset Value

I. Determination of Actuarial Asset Value as of September 30, 2012 - 20% Phase In Method

| | <u>10/1/2012</u> | <u>10/1/2011*</u> |
|--|------------------|-------------------|
| | -\$- | -\$- |
| A. Actuarial Value of Assets at Beginning of Year | 199,559,269 | 186,431,373 |
| B. Market Value at End of Year | 199,558,893 | 178,258,967 |
| C. Market Value at Beginning of Year | 178,258,967 | 181,159,070 |
| D. Non-Investment/Administrative Net Cash Flow | | |
| 1. Contributions Net of Admin. Expenses | 8,467,526 | 9,183,792 |
| 2. Benefits and Expenses | 16,172,431 | 15,048,904 |
| 3. Net Cash Flow: 1-2 | (7,704,905) | (5,865,112) |
| E. Investment Income | | |
| 1. Actual Market Total (B-C-D) | 29,004,831 | 2,965,009 |
| 2. Assumed Rate of Return | 7.90% | 8.10% |
| 3. Amount of Return | 15,460,839 | 14,863,404 |
| 4. Amount Subject to Phase-In: 1-3 | 13,543,992 | (11,898,395) |
| F. Phase-In Recognition of Investment Income | | |
| 1. Current Year: 0.20 X E4 | 2,708,798 | (2,379,679) |
| 2. First Prior Year | (2,379,679) | 477,785 |
| 3. Second Prior Year | 477,785 | (2,399,636) |
| 4. Third Prior Year | (2,399,636) | (8,415,672) |
| 5. Fourth Prior Year | (8,415,672) | 0 |
| 6. ASOP No. 44 Compliance Adjustment | <u>0</u> | <u>16,846,806</u> |
| 7. Total Phase-Ins | (10,008,404) | 4,129,604 |
| G. Actuarial Value of Assets at End of Year | | |
| 1. Preliminary Actuarial Value of Assets | 197,306,799 | 199,559,269 |
| 2. Upper Corridor Limit: 120% of B | 239,470,671 | 213,910,760 |
| 3. Lower Corridor Limit: 80% of B | 159,647,115 | 142,607,174 |
| 4. Adjusted Actuarial Value of Assets | 197,306,799 | 199,559,269 |
| 5. Less: DROP Account | 17,145,667 | 14,134,498 |
| 6. Less: State Contribution Reserve | 651,182 | 4,084,557 |
| 7. Final Actuarial Asset Value for Benefits | 179,509,950 | 181,340,214 |
| H. Difference between Market and Actuarial Value | 2,252,094 | (21,300,302) |
| I. Actuarial Value Rate of Return | 2.8% | 1.2%** |
| J. Market Value Rate of Return | 16.6% | 1.7% |
| K. Ratio of Actuarial Asset Value to Market Value | 98.9% | 111.9% |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Before adjustment for ASOP No. 44

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Accounting Information

| | <u>10/01/2012</u> | | <u>10/01/2011*</u> | |
|--|-------------------|---------------------|-----------------------------|---------------------|
| | <u>FRS 7.75%</u> | <u>Pompano 7.7%</u> | <u>FRS 7.75%</u> | <u>Pompano 7.9%</u> |
| I. <u>Present Value of Vested Accrued Benefits</u> | -\$- | -\$- | -\$- | -\$- |
| A. Service Retirements and Beneficiaries | 196,806,291 | 197,717,568 | | 193,073,470 |
| B. Disability Retirements | 14,923,102 | 14,993,353 | | (included above) |
| C. Vested Terminated Members | 481,262 | 483,951 | | 844,689 |
| D. Active Members | <u>47,547,070</u> | <u>47,890,782</u> | <u> </u> | <u>54,859,657</u> |
| E. Total | 259,757,725 | 261,085,654 | 252,517,015 | 248,777,816 |
| II. <u>Present Value of Non-Vested Accrued Benefits</u> | <u>2,065,499</u> | <u>2,095,991</u> | <u>4,993,705</u> | <u>4,782,120</u> |
| III. <u>Present Value of Accrued Benefits</u> | 261,823,224 | 263,181,645 | 257,510,720 | 253,559,936 |
| IV. The values of accumulated plan benefits were determined in accordance with the Academy of Actuaries Interpretations and ASC 960 (formerly FASB Statement No. 35, <u>Accounting and Reporting by Defined Benefit Pension Plans.</u>) | | | | |
| V. <u>Statement of Changes in Accrued Benefits</u> | | | | |
| A. Present Value of Accrued Benefits at Beginning of Prior Year | | | 253,559,936 | |
| B. Increase (Decrease) During the Year Attributable to: | | | | |
| 1. Benefits Accumulated | | | 3,817,041 | |
| 2. Benefits Paid and Contributions Refunded | | | (16,172,431) | |
| 3. Assumption Changes | | | 5,360,554 | |
| 4. Valuation Software | | | (2,572,640) | |
| 5. Plan Amendments | | | 0 | |
| 6. Increase Due to Decrease in Discount Period | | | <u>19,189,185</u> | |
| 7. Net Increase | | | 9,621,709 | |
| C. Present Value of Accrued Benefits at Valuation Date | | | 263,181,645 | |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Funding Progress
(\$000)

| | <u>10/01/2012</u> | <u>10/01/2011*</u> | <u>10/01/2010*</u> |
|------------------------|-------------------|--------------------|--------------------|
| | -\$- | -\$- | -\$- |
| I. <u>Assets</u> | | | |
| A. Actuarial Value | 179,510 | 181,340 | 169,136 |
| B. Market Value | 181,762 | 160,040 | 163,864 |
| II. <u>Liabilities</u> | | | |
| A. Retired and Vested | 213,195 | 193,918 | 171,665 |
| B. Active | | | |
| Employee Contributions | 15,326 | 16,336 | 16,147 |
| Other Vested | 32,565 | 38,524 | 38,154 |
| Non-Vested Accrued | <u>2,096</u> | <u>4,782</u> | <u>5,089</u> |
| C. Total Accrued | 263,182 | 253,560 | 231,055 |
| III. <u>Ratios</u> | % | % | % |
| IA/IIC | 68.2 | 71.5 | 73.2 |
| IB/IIC | 69.1 | 63.1 | 70.9 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Member Statistics

I. Active Members

| | <u>Valuation Date</u> | | |
|-----------------|-----------------------|--------------------|--------------------|
| | <u>10/01/2012</u> | <u>10/01/2011*</u> | <u>10/01/2010*</u> |
| <u>Number</u> | 182 | 191 | 201 |
| <u>Averages</u> | | | |
| Current Age | 39.1 | 39.5 | 39.4 |
| Past Service | 11.8 | 12.5 | 12.3 |
| Annual Earnings | \$79,302 | \$81,225 | \$83,603 |

II. Inactive Members

A. Retirees, Beneficiaries and DROP

| | | | |
|-------------------------------------|----------|----------|----------|
| Number (DROP) | 46 | 45 | 42 |
| Number (Retirees and Beneficiaries) | 301 | 283 | 276 |
| Average Annual Benefit | \$46,911 | \$45,395 | \$44,127 |
| Average Age | 61.2 | 60.9 | 60.5 |

B. Disabled

| | | | |
|------------------------|-------------|-------------|-------------|
| Number | 25 | 26 | 25 |
| Average Annual Benefit | \$1,207,631 | \$1,234,079 | \$1,150,722 |
| Average Age | 55.6 | 55.1 | 54.6 |

C. Vested Terminated

| | | | |
|------------------------|----------|----------|----------|
| Number | 1 | 3 | 4 |
| Average Annual Benefit | \$32,917 | \$78,587 | \$92,682 |
| Average Age | 44.6 | 50.0 | 51.3 |

* Based on October 1, 2011 Gabriel Roeder Smith report.

** Includes DROP

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Age-Service Distribution as of October 1, 2012

Fire

| <u>Age</u> | <u>Completed Years of Service</u> | | | | | | | <u>Total</u> | <u>Earnings</u> | |
|--------------|-----------------------------------|------------|--------------|--------------|--------------|--------------|------------|--------------|-------------------|---------------|
| | <u>0-4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30+</u> | | <u>Total</u> | <u>Avg.</u> |
| | | | | | | | | | <u>-\$-</u> | <u>-\$-</u> |
| 15-24 | 5 | - | - | - | - | - | - | 5 | 239,600 | 47,920 |
| 25-29 | 13 | 6 | - | - | - | - | - | 19 | 1,138,939 | 59,944 |
| 30-34 | 6 | 19 | 5 | - | - | - | - | 30 | 2,034,270 | 67,809 |
| 35-39 | 1 | 17 | 15 | 1 | - | - | - | 34 | 2,464,482 | 72,485 |
| 40-44 | | 11 | 12 | 8 | - | - | - | 31 | 2,345,592 | 75,664 |
| 45-49 | - | 5 | 4 | 7 | 2 | 2 | - | 20 | 1,594,190 | 79,710 |
| 50-54 | - | 1 | 4 | 5 | - | - | - | 10 | 805,089 | 80,509 |
| 55-59 | - | - | - | - | 1 | - | - | 1 | 87,967 | 87,967 |
| 60-64 | - | 1 | - | - | - | - | - | 1 | 97,201 | 97,201 |
| 65+ | - | - | - | - | - | - | - | - | - | - |
| TOTAL | 25 | 60 | 40 | 21 | 3 | 2 | - | 151 | 10,807,330 | 71,572 |

Average Age: 37.8

Average Service: 9.9

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Age-Service Distribution as of October 1, 2012

Police

| <u>Age</u> | <u>Completed Years of Service</u> | | | | | | | <u>Total</u> | <u>Earnings</u> | |
|--------------|-----------------------------------|------------|--------------|--------------|--------------|--------------|------------|--------------|-----------------|-------------|
| | <u>0-4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30+</u> | | <u>Total</u> | <u>Avg.</u> |
| | | | | | | | | | <u>-\$-</u> | <u>-\$-</u> |
| 15-24 | - | - | - | - | - | - | - | - | -- | -- |
| 25-29 | - | - | - | - | - | - | - | - | -- | -- |
| 30-34 | - | - | - | - | - | - | - | - | -- | -- |
| 35-39 | - | - | 2 | 1 | - | - | - | 3 | 249,254 | 83,085 |
| 40-44 | - | - | - | 2 | 4 | - | - | 6 | 545,418 | 90,903 |
| 45-49 | - | - | 5 | 14 | - | - | - | 19 | 1,671,369 | 87,967 |
| 50-54 | - | 1 | 1 | - | - | - | - | 2 | 161,330 | 80,665 |
| 55-59 | - | - | - | - | 1 | - | - | 1 | 82,223 | 82,223 |
| 60-64 | - | - | - | - | - | - | - | - | -- | -- |
| 65+ | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>--</u> | <u>--</u> |
| TOTAL | - | - | 3 | 9 | 19 | - | - | 31 | 2,709,594 | 87,406 |

Average Age: 45.4

Average Service: 20.6

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Reconciliation of Participant Counts

Police

| | <u>Actives</u> | <u>Retirees & Beneficiaries</u> | <u>DROP</u> | <u>Disabled</u> | <u>Vested Terminated</u> |
|--------------------|----------------|---|-------------|-----------------|------------------------------|
| 10/01/2011 | 45 | 179 | 4 | 15 | 3 |
| Changes due to: | | | | | |
| Retirement | -12 | +13 | | | -1 |
| Lump Sum Payout | | | | | -1 |
| Vested Termination | | | | | |
| Disability | | | | | |
| Death | | -3 | | | |
| DROP Entry | -2 | | +2 | | |
| DROP Exit | | | | | |
| New Beneficiary | | +3 | | | |
| New Hires | | | | | |
| Data Changes | | | | | |
| | _____ | _____ | _____ | _____ | _____ |
| 10/01/2012 | 31 | 192 | 6 | 15 | 1 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Reconciliation of Participant Counts

Fire

| | <u>Actives</u> | <u>Retirees & Beneficiaries</u> | <u>DROP</u> | <u>Disabled</u> | <u>Vested Terminated</u> |
|--------------------|----------------|---|-------------|-----------------|------------------------------|
| 10/01/2011 | 146 | 104 | 41 | 11 | 0 |
| Changes due to: | | | | | |
| Retirement | -2 | +2 | | | |
| Lump Sum Payout | -1 | | | | |
| Vested Termination | | | | | |
| Disability | | | | | |
| Death | -1 | -1 | | -1 | |
| DROP Entry | -1 | | +1 | | |
| DROP Exit | | +2 | -2 | | |
| New Beneficiary | | +2 | | | |
| New Hires | +10 | | | | |
| Data Changes | | | | | |
| | _____ | _____ | _____ | _____ | _____ |
| 10/01/2012 | 151 | 109 | 40 | 10 | 0 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Reconciliation of Participant Counts

| | <u>Total</u> | | | | |
|--------------------|----------------|---|-------------|-----------------|------------------------------|
| | <u>Actives</u> | <u>Retirees & Beneficiaries</u> | <u>DROP</u> | <u>Disabled</u> | <u>Vested Terminated</u> |
| 10/01/2011 | 191 | 283 | 45 | 26 | 3 |
| Changes due to: | | | | | |
| Retirement | -14 | +15 | | | -1 |
| Lump Sum Payout | -1 | | | | |
| Vested Termination | | | | | -1 |
| Disability | | | | | |
| Death | -1 | -4 | | -1 | |
| DROP Entry | -3 | | +3 | | |
| DROP Exit | | +2 | -2 | | |
| New Beneficiary | | +5 | | | |
| New Hires | +10 | | | | |
| Data Changes | | | | | |
| | ——— | ——— | ——— | ——— | ——— |
| 10/01/2012 | 182 | 301 | 46 | 25 | 1 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions

| | |
|--------------------------------|---|
| Ordinances and Effective Date: | Plan established under the Code of Ordinances for the City of Pompano Beach, Florida, Sections 34.045-34.073 and was most recently amended under Ordinance No. 2012-31 passed and adopted on March 31, 2012. The Plan is also governed by certain provisions of Chapters 175 and 185, <u>Florida Statutes</u> , Part VII, Chapter 112, <u>Florida Statutes</u> (F.S.) and the Internal Revenue Code. |
| Effective Date: | August 15, 1972. |
| Plan Year: | October 1 through September 30. |
| Type of Plan: | Qualified, governmental defined benefit retirement plan; for GASB purposes it is a single employer plan. |
| Eligibility Requirements: | <ol style="list-style-type: none">(1) All Police Officers and Dispatchers who were participants of the prior Employees' Pension Plan and(2) Police Officers and Dispatchers who elected to remain in the Plan prior to the takeover of the police department by the Broward Sheriff's Office on 8/1/99.(3) All Firefighters who were participants in the prior Employees' Pension Plan; and(4) All regular, full time Firefighters (20 hours per week and 5 months per year) from age 18, upon date of employment. |
| Continuous Service: | Continuous Service is measured as the total number of years and completed months from the date of employment to the date of termination or retirement. No service is credited for any periods of employment for which a member received a refund of contributions. |
| Earnings: | <p>Police Officers: Basic compensation and regular longevity pay, increased for temporary upgrade pay. Also includes up to 25 hours per year of overtime pay.</p> <p>Firefighters: Basic compensation and regular longevity pay, increased for temporary upgrade pay.</p> |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions
(Continued)

| | |
|--------------------------------|--|
| Average Monthly Earnings (AME) | The average of Earnings during the highest 3 years preceding termination; not including lump sum payments of unused leave. |
| Normal Retirement: | <p>Eligibility: A member may retire on the first day of the month coincident with or next following the earlier of:</p> <ol style="list-style-type: none">(1) age 47 with 20 years of Continuous Service, or(2) age 55 with 10 years of Continuous Service. <p>Police Benefit: 3.0% of AME multiplied by years of Continuous Service up to a maximum of 25 years, plus 2.0% of AME multiplied by years of Continuous Service in excess of 37.5.</p> <p>Firefighter Benefit: 3.0% of AME multiplied by the first 10 years Continuous Service, plus 4.0% of AME multiplied by the next 10 years, plus 2.0% of AME multiplied by the next 5 years with a maximum benefit equal to 80% of AME.</p> <p>Normal Form of Benefit: 10 Years Certain and Life; other options are also available.</p> <p>COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.</p> |
| Early Retirement: | <p>Eligibility: A member may elect to retire earlier than the Normal Retirement Eligibility upon the completion of 20 years of Continuous Service or the attainment of age 50 with 10 years of Continuous Service.</p> <p>Benefit: The member's accrued Normal Retirement Benefit based upon the member's AME and Continuous Service as of the date of termination. Benefit is actuarially reduced for each year by which the Early Retirement date precedes the member's Normal Retirement date. The Early Retirement reduction is 3% per year if early retirement occurs after age 50.</p> <p>Normal Form of Benefit: 10 Years Certain and Life; other options are also available.</p> <p>COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.</p> |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions
(Continued)

Delayed Retirement: Same as Normal Retirement taking into account compensation earned and service credited until the date of actual retirement.

Service Connected
Disability:

Eligibility: Any member who becomes totally and permanently disabled and unable to perform regular duties or any other duties available in the Department from an act occurring in the performance of duty for the City is eligible for a disability benefit.

Benefit: 75% of rate of Earnings in effect on the date of disability.

Normal Form of Benefit: Benefits begin on the first day of the month following the date the Board approves the disability and are payable until death or recovery from disability. If the member dies before receiving payments for 10 years, the member's designated beneficiary will receive the same monthly benefit for the remainder of the 10 year period. Other options are also available.

COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.

Non-Service
Connected Disability:

Eligibility: Any member with 10 or more years of Continuous Service who becomes totally and permanently disabled and unable to perform regular duties or any other duties available in the Department from an act not directly caused by the performance of duty for the City is eligible for a disability benefit.

Benefit: 3.0% of AME multiplied by years of Continuous Service subject to a maximum of 60% of the rate of Earnings on the date of disability, plus 2.0% of AME multiplied by years of Continuous Service in excess of 25. Disability benefit is guaranteed to be no less than 25% of AME.

Normal Form of Benefit: Benefits begin on the first day of the month following the date the Board approves the disability and are payable until death or recovery from disability. If the member dies before receiving payments for 10 years, the member's designated beneficiary will receive the same monthly benefit for the remainder of the 10 year period. Other options are also available.

COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions

(Continued)

Death in the
Line of Duty:

Eligibility: Any member who dies as a direct result of an occurrence arising in the performance of service for the City is eligible for survivor benefits.

Benefit: (1) \$5,000 lump sum paid to the member's designated beneficiary;
plus
(2) Member's spouse will receive 75% of member's Earnings; plus
(3) Each unmarried child under age 18 (22 if full-time student) will receive 7 ½% of member's Earnings. If there is no spouse, benefits increase to 15% per child.

Maximum benefit to spouse and children is 90% of earnings; if no spouse, maximum for children is 50% of Earnings.

Normal Form of Benefit: Spouse's benefits are paid until death or remarriage; children's benefits are paid until the earlier of age 18 (22 if full-time student), marriage or death.

COLA: Beginning five years after benefit payments begin, beneficiaries receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.

Other Pre-
Retirement Death:

Eligibility: Any member with 1 or more years of Continuous Service who dies while employed by the City is eligible for survivor benefits.

Benefit: (A) For members with less than 1 year of Continuous Service, no survivor benefits are payable.

(B) For members with 1 year, but less than 5 years, of Continuous Service, the designated beneficiary will be paid a \$5,000 lump sum.

(C) For members with 5 years, but less than 10 years, of Continuous Service:

(1) \$5,000 lump sum paid to the member's designated beneficiary;
plus
(2) Member's spouse will receive 65% of member's accrued pension as of the date of death subject to a minimum of 20% of AME; plus
(3) Each unmarried child under age 18 (22 if full-time student) will receive 7 ½% of member's Earnings. If there is no spouse, benefits increase to 15% of member's Earnings per child.

Maximum benefit to spouse and children is 50% of earnings.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions

(D) For members with 10 or more years of Continuous Service, the designated beneficiary can elect to receive benefits described under subsection (C) above or the member's accrued benefit as of the date of death. Benefits are payable at the member's Normal or Early Retirement date and will be reduced for Early Retirement, when applicable.

Normal Form of Benefit: Spouse's benefits are paid until death or remarriage; children's benefits are paid until the earlier of age 18 (22 if full-time student), marriage or death.

COLA: Beginning five years after benefit payments begin, beneficiaries receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.

Post Retirement Death: Benefit determined by the form of benefit elected upon retirement.

Optional Forms: In lieu of electing the Normal Form of benefit, the optional forms of benefits available to all retirees are a Single Life Annuity option or the 50%, 66 2/3%, 75% or 100% Joint and survivor options.

Vested Termination: Eligibility: A member has earned a non-forfeitable right to Plan benefits after the completion of 10 years of Credited Service (See vesting table below).

| Years of Credited Service | % of Normal Retirement Benefits |
|---------------------------|---------------------------------|
| Less Than 10 | 0% |
| 10 or more | 100% |

Benefit: The member's accrued Normal Retirement Benefit as of the date of termination. Benefit begins on the member's Normal Retirement date. Alternatively, members may elect to receive an actuarially reduced Early Retirement Benefit.

Normal Form of Benefit: 10 Years Certain and Life thereafter; other options are also available.

COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2%. An additional annual increase of up to 1% is payable if certain conditions are met.

Plan members with less than 10 years of Credited Service will receive a refund of accumulated contributions with interest.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions
(Continued)

| | |
|-------------------------------------|--|
| Refunds: | <p>Eligibility: All members terminating employment with less than 10 years of Credited Service are eligible. Optionally, vested members (those with 10 or more years of credited service) may elect a refund in lieu of the vested benefits otherwise due.</p> <p>Benefit: Refund of the member's contributions with interest. Interest is currently credited at a rate of 3%.</p> |
| Member Contributions: | <p>Police: 8.6% of Earnings, paid by BSO. Firefighters: 11.6% of Earnings "picked up" by the City.</p> |
| Employer Contributions: | <p>Chapters 175 and 185 Premium Tax Refunds and any additional amount determined by the actuary needed to fund the plan properly according to State laws.</p> |
| Cost of Living Increases: | <p>Beginning five years after benefit payments begin, retirees and their beneficiaries receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met.</p> |
| Deferred Retirement Option Plan: | <p>Eligibility: Plan members are eligible for the DROP on the first day of the month coincident with or next following the earlier of:</p> <ul style="list-style-type: none">(1) age 47 with 20 years of Continuous Service, or(2) age 55 with 10 years of Continuous Service. <p>Members who meet eligibility must submit a written election to participate in the DROP.</p> <p>Benefit: The member's Credited Service and AFC are frozen upon entry into the DROP. The monthly retirement benefit as described under Normal Retirement is calculated based upon the frozen Credited Service and AFC.</p> <p>In addition, the members accumulated sick and annual leave pay will be credited to the member's DROP account in 5 equal annual installments on the member's DROP participation anniversary dates.</p> |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Principal System Provisions
(Continued)

Maximum DROP Period: 60 months for Police, 96 months for Firefighters.

Interest Credited: The member's DROP account is credited or debited quarterly at a rate equal to one of the following as elected by the member:

- (1) the actual net rate of investment return realized by the Plan for that quarter, or
- (2) a rate set quarterly by the Board of Trustees, or
- (3) the actual net rate of investment return realized by a separate investment account made available by the Board of Trustees but the investment proportions designated by the member.

Normal Form of Benefit: The member's DROP account is paid out under one of the following options as elected by the member:

- (1) a full single lump sum payment, or
- (2) annual installments in amounts as requested by the member by June 30th of each year, or
- (3) equal monthly installments as requested by the member by June 30th of each year, or
- (4) a single lump sum of the remaining balance after any annual or monthly installments have been made under options (2) or (3) above.

COLA: Beginning five years after benefit payments begin, retirees receive an automatic annual increase of 2% on each October 1. An additional annual increase of up to 1% is payable if certain conditions are met. For Firefighters, if participant leaves the DROP after five years, the COLA begins when participant leaves the DROP.

Other Ancillary Benefits: There are no ancillary retirement type benefits not required by statutes but which might be deemed a City of Pompano Beach Police Officers' and Firefighters' Retirement Plan liability if continued beyond the availability of funding by the current funding source.

Changes from
Previous Valuation: None.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Actuarial Basis

Valuation Date: October 1, 2012 for Fiscal Year beginning October 1, 2013.

Valuation Method: Individual Entry Age Normal Cost Method; Closed Group; All new bases are to be amortized over 30 years from the date established.

Asset Valuation Method: 20% Phase-In Method: Actuarial value of assets is equal to expected value phase in the difference between the expected investment earnings and actual investment earnings at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.

Actuarial Assumptions:

Investment Discount/
Investment Return: 7.7%, compounded annually, net of investment expenses, reducing 0.2% to the Board's 7.5% goal for the October 1, 2013 and subsequent Actuarial Valuations.

Salary Increases: 3.5%, compounded annually for inflation plus a seniority/merit scale using the following representative rates:

Merit and Seniority

| <u>Years of Service</u> | <u>Police</u> | <u>Firefighters</u> |
|-------------------------|---------------|---------------------|
| 1 | 8.5% | 8.5% |
| 2 | 8.5% | 8.0% |
| 3 | 8.5% | 7.5% |
| 4 | 8.5% | 7.0% |
| 5 | 8.5% | 6.5% |
| 6 | 8.5% | 6.0% |
| 7 | 8.5% | 5.5% |
| 8 | 4.5% | 5.0% |
| 9 | 4.5% | 4.5% |
| 10-14 | 3.0% | 2.5% |
| 15 | 1.5% | 5.5% |
| 15-19 | 1.5% | 2.5% |
| 20 | 0.5% | 4.5% |
| 21 and Higher | 0.5% | 0.5% |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Actuarial Basis

Mortality: 1983 Group Annuity Mortality (GAM) table for males and females, with no provision for future mortality improvement:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20 | .0377% | .0189% |
| 30 | .0607% | .0342% |
| 40 | .1238% | .0665% |
| 50 | .3909% | .1647% |
| 60 | .9158% | .4241% |
| 70 | 2.7530% | 1.2385% |

Disabled Mortality: 1983 Group Annuity Mortality (GAM) table for males and females, set forward 5 years.

Retirement: Service based rates as follows:

| <u>After First Eligibility for Normal Retirement</u> | <u>Police %</u> | <u>Fire %</u> |
|--|-----------------|---------------|
| 0 | 80 | 35 |
| 1 | 50 | 20 |
| 2 | 50 | 20 |
| 3 | 100 | 20 |
| 4 | | 20 |
| 5+ | | 100 |

DROP Participation: No distinction is made between retirement and DROP entry.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Actuarial Basis
(Continued)

Turnover: Specimen rates are shown below:

| Police Officers (For greater than 10 years service) | | Firefighters (For greater than 10 years service) | |
|--|--|---|--|
| <u>Ages</u> | <u>% of Active Members Separating Within Next Year</u> | <u>Ages</u> | <u>% of Active Members Separating Within Next Year</u> |
| 25-29 | 0.0% | 25-29 | 0.5% |
| 30-34 | 2.3 | 30-34 | 0.5 |
| 35-39 | 2.0 | 35-39 | 0.5 |
| 40-44 | 2.0 | 40-44 | 0.5 |
| 45-49 | 1.8 | 45-49 | 0.5 |

| <u>Years of Service</u> | <u>% of Active Members Separating Within Next Year</u> | <u>Years of Service</u> | <u>% of Active Members Separating Within Next Year</u> |
|-----------------------------|--|-----------------------------|--|
| 0-1 | 10.0% | 0-1 | 10.0% |
| 1-2 | 10.0 | 1-2 | 10.0 |
| 2-3 | 10.0 | 2-3 | 5.0 |
| 3-4 | 4.0 | 3-4 | 5.0 |
| 4-5 | 4.0 | 4-5 | 4.0 |
| 5-6 | 4.0 | 5-6 | 4.0 |
| 6-7 | 4.0 | 6-7 | 3.0 |
| 7-8 | 4.0 | 7-8 | 3.0 |
| 8-9 | 1.0 | 8-9 | 1.0 |
| 9-10 | 1.0 | 9-10 | 1.0 |

Disability: Specimen rates are shown below:

| Police Officers | | Firefighters | |
|------------------------|---|------------------------|---|
| <u>Sample Ages</u> | <u>% Becoming Disabled Within Next Year</u> | <u>Sample Ages</u> | <u>% Becoming Disabled Within Next Year</u> |
| 25 | 0.15% | 25 | 0.30% |
| 30 | 0.18 | 30 | 0.36 |
| 35 | 0.23 | 35 | 0.46 |
| 40 | 0.30 | 40 | 0.60 |
| 45 | 0.51 | 45 | 1.02 |
| 50 | 1.00 | 50 | 2.00 |
| 55 | 1.59 | 55 | 3.17 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Actuarial Basis
(Continued)

| | |
|---------------------------------------|--|
| Type of Disability: | 75% of the disabilities are expected to be service-connected disabilities, and 25% are expected to be non-service connected. |
| Recovery: | No probabilities of recovery are used. |
| Disability Offsets: | Disability benefits for service-incurred disabilities of active members are assumed to be offset by 50% of Workers' compensation benefits; benefits valued for disability retirees are net of all current offsets. |
| Workers' Compensation: | Current offsets are assumed to continue. |
| Type of Death: | 75% of the assumed deaths are expected to be service-connected deaths and 25% are assumed to be non-service-connected. |
| DROP Participation: | No distinction is made between retirement and DROP entry. |
| Spouses' Ages: | Females are assumed to be 3 years younger than males. |
| Marital Status: | 100% of employees are assumed to be married. |
| State Contributions: | Premium tax refunds under Chapters 175 and 185 are assumed to be the same as in the prior year. |
| Administrative Expenses: | One year term cost method, assumed to be equal to the average of the prior two years' expenses. |
| Withdrawal of Employee Contributions: | It is assumed that employees withdraw their contribution balances upon employment termination, if not vested. If vested, employees are assumed to not withdraw contributions, with monthly benefit deferred to age 52. |
| Military Buyback: | None. |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Summary of Actuarial Basis
(Continued)

| | |
|----------------------------------|--|
| Adjustments from Valuation Date: | Expected interest and salary increases are added for one year from the valuation date. |
| Sources of Data: | Asset statements were provided by auditor; membership data was furnished by Plan Administrator. |
| Changes Since Prior Valuation: | The discount rate was reduced to 7.7% from 7.9% as part of the Board's ultimate goal to use 7.5% for the October 1, 2013 and subsequent Actuarial Valuations. Also, a new valuation software system was used to value plan costs. |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Information Under Florida Statutes

History of Economic Results

| <u>Year Ending</u> | <u>Salary Increases</u> | | <u>Investment Returns</u> | | <u>Payroll Growth</u> | |
|--------------------|-------------------------|----------------|------------------------------|----------------|-----------------------|----------------|
| | <u>Actual</u> | <u>Assumed</u> | <u>Actual</u> ⁽¹⁾ | <u>Assumed</u> | <u>Actual</u> | <u>Assumed</u> |
| | -%- | -%- | -%- | -%- | -%- | -%- |
| 9/30/12 | 1.6 | 6.9 | 16.6 | 7.9 | (7.0) | N.A. |
| 9/30/11 | (1.5) | 6.4 | 1.2 | 8.1 | (7.7) | N.A. |
| 9/30/10 | 5.0 | 6.5 | 5.6 | 8.3 | (7.6) | N.A. |
| 9/30/09 | 3.0 | 7.0 | 2.3 | 8.5 | (4.0) | N.A. |
| 9/30/08 | 7.4 | 7.0 | 3.6 | 8.5 | (1.4) | N.A. |
| 9/30/07 | 6.2 | 6.0 | 10.0 | 8.5 | 2.8 | N.A. |
| 9/30/06 | 4.3 | 6.0 | 10.5 | 8.5 | 0.2 | N.A. |
| 9/30/05 | 6.8 | 6.0 | 5.9 | 8.5 | 2.2 | N.A. |
| 9/30/04 | 6.8 | 6.0 | (0.7) | 8.5 | 1.2 | N.A. |
| 9/30/03 | 6.3 | 6.0 | (2.4) | 8.5 | 9.7 | N.A. |
| 9/30/02 | 5.7 | 6.0 | (6.3) | 8.5 | 3.1 | N.A. |
| 9/30/01 | 7.0 | 6.0 | (0.6) | 8.5 | 1.1 | N.A. |
| 9/30/00 | 10.5 | 6.0 | 12.9 | 8.0 | 11.4 | N.A. |
| 9/30/99 | 5.1 | 6.0 | 11.8 | 8.0 | (11.6) | N.A. |
| 9/30/98 | 5.8 | 6.3 | 13.3 | 8.0 | 0.2 | N.A. |
| 9/30/97 | 3.5 | 6.3 | 13.6 | 8.3 | (2.7) | N.A. |
| 9/30/96 | 6.0 | 7.0 | 8.6 | 8.3 | (10.6) | N.A. |
| 9/30/95 | 5.09 | 7.0 | 7.5 | 8.3 | 3.3 | N.A. |
| 9/30/94 | 5.7 | 7.0 | 2.9 | 8.5 | 4.5 | N.A. |
| 9/30/93 | 6.8 | 7.0 | 8.9 | 8.5 | 5.1 | N.A. |
| 9/30/92 | 5.6 | 7.0 | 11.0 | 8.5 | 4.1 | N.A. |
| 9/30/91 | 6.2 | 7.0 | 9.8 | 8.5 | 3.6 | N.A. |
| 9/30/90 | 4.7 | 7.0 | 9.0 | 8.5 | 8.3 | N.A. |
| 9/30/89 | 7.5 | 7.0 | 10.2 | 8.5 | 14.0 | N.A. |
| 9/30/88 | 8.6 | 7.0 | 8.2 | 8.5 | 9.8 | N.A. |

⁽¹⁾Based on mean market asset values for periods ending 9/30. After 9/30/02, returns are net of investment expenses.

Amortization of Unfunded Liability

| <u>Valuation Date</u> | <u>Unfunded Liability</u> | <u>Amortization</u> |
|-----------------------|---------------------------|---------------------|
| | -\$- | -\$- |
| 10/01/2012 | 91,897,566 | 6,851,539 |
| 10/01/2013 | 91,594,571 | 6,690,975 |
| 10/01/2014 | 91,441,170 | 6,906,901 |
| 10/01/2041 | 908,821 | 908,821 |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Disclosure Information Under GASB 25/27

I. Funding Status and Progress

Entry Age Actuarial Accrued Liability:

| | <u>2012</u> | \$(Millions) <u>2011*</u> | <u>2010 *</u> |
|---|---------------|------------------------------|---------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | 213.19 | 193.92 | 171.66 |
| Current employees - Accumulated employee contributions including interest | 15.33 | 16.34 | 16.15 |
| Employer - financed vested | 32.56 | 38.52 | 38.15 |
| Employer - financed nonvested | <u>2.10</u> | <u>4.78</u> | <u>5.09</u> |
| Total Entry Age Actuarial Accrued Liability | 263.18 | 253.56 | 231.05 |
| Net assets available for benefits (market value) | <u>181.76</u> | <u>160.04</u> | <u>163.86</u> |
| Unfunded Entry Age Actuarial Accrued Liability | <u>81.42</u> | <u>93.52</u> | <u>66.19</u> |

The Entry Age Actuarial Accrued Liability was determined as part of an actuarial valuation at September 30, 2012. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.7 percent per year compounded annually, (b) projected salary increases of 3.5 percent per year compounded annually, attributable to inflation, and (c) additional projected salary increases of approximately 3.0% percent per year, attributable to seniority/merit.

* Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Disclosure Information Under GASB 25/27 - (continued)

II. Contributions Required and Contributions Made

The funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. Contributions for normal costs are determined using the entry age actuarial cost method. This cost method provides for an unfunded actuarial accrued liability. Details of this UAAL are shown in Exhibits 1B and 1C.

Contributions totaling \$8,626,881 (\$5,527,605 employer, \$1,598,559 State and \$1,500,717 employees) were made for the year ending September 30, 2012. These contributions consisted of (a) \$3,727,600 normal cost, (b) \$4,303,907 amortization of the unfunded actuarial accrued liability and adjustment to the Reserve Surplus Account, and (c) \$595,374 noninvestment expenses.

Significant actuarial assumptions used to compute contribution requirements for the year ending September 30, 2012 are the same as those used to compute the Entry Age Actuarial Accrued Liability as of the beginning of the preceding year.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Disclosure Information Under GASB 25/27 - (continued)

III. Analysis of Funding Progress for GASB 25/27 (\$000)

| Actuarial Valuation Date | Actuarial Value of Assets (a) (\$) | Entry Age Actuarial Accrued Liability (AAL) (b) (\$) | Unfunded AAL (UAAL) (b)-(a) (\$) | Funded Ratio (a)/(b) (%) | Covered Payroll (c) (\$) | UAAL As % of Covered Payroll (b-a)/c (%) |
|-----------------------------|---|---|--|-----------------------------------|-----------------------------------|---|
| 10/1/1991 | 54,259,602 | 59,637,919 | 5,378,317 | 91.0 | 15,561,592 | 34.6 |
| 10/1/1992 | 62,241,102 | 66,244,408 | 4,003,306 | 94.0 | 16,198,233 | 24.7 |
| 10/1/1993 | 69,692,519 | 72,878,061 | 3,185,542 | 95.6 | 17,030,320 | 18.7 |
| 10/1/1994 | 75,714,809 | 80,782,161 | 5,067,352 | 93.7 | 17,793,581 | 28.5 |
| 10/1/1995 | 83,335,403 | 87,056,849 | 3,721,446 | 95.7 | 18,381,545 | 20.2 |
| 10/1/1996 | 91,785,792 | 93,904,662 | 2,118,870 | 97.7 | 16,427,117 | 12.9 |
| 10/1/1997 | 103,881,530 | 102,209,524 | (1,672,006) | 101.6 | 15,986,537 | (10.5) |
| 10/1/1998 | 116,854,018 | 108,986,085 | (7,867,933) | 107.2 | 16,012,757 | (49.1) |
| 10/1/1999 | 128,591,125 | 114,259,529 | (14,331,596) | 112.5 | 14,157,367 | (101.2) |
| 10/1/2000 | 158,409,958 | 134,887,896 | (23,522,062) | 117.4 | 15,773,168 | (149.1) |
| 10/1/2001 | 153,691,058 | 144,343,233 | (9,347,825) | 106.5 | 15,947,063 | (58.6) |
| 10/1/2002 | 139,926,574 | 154,363,541 | 14,436,967 | 90.6 | 16,438,009 | 87.8 |
| 10/1/2003 | 131,561,406 | 167,723,977 | 36,162,571 | 78.4 | 18,036,129 | 200.5 |
| 10/1/2004 | 127,797,879 | 180,135,211 | 52,337,332 | 70.9 | 18,246,065 | 286.8 |
| 10/1/2005 | 132,791,429 | 191,641,964 | 58,850,535 | 69.3 | 18,639,317 | 315.7 |
| 10/1/2006 | 145,927,220 | 201,086,201 | 55,158,981 | 72.6 | 18,681,923 | 295.3 |
| 10/1/2007 | 159,560,878 | 209,618,138 | 50,057,260 | 76.1 | 19,202,844 | 260.7 |
| 10/1/2008 | 164,826,132 | 216,871,472 | 52,045,340 | 76.0 | 18,938,141 | 274.8 |
| 10/1/2009 (b) | 165,046,163 | 225,029,280 | 59,983,117 | 73.3 | 17,755,227 | 337.8 |
| 10/1/2009 (a) | 165,046,163 | 229,557,302 | 64,511,139 | 71.9 | 18,187,155 | 354.7 |
| 10/1/2010 (b) | 169,136,485 | 237,733,591 | 68,597,106 | 71.1 | 16,804,153 | 408.2 |
| 10/1/2010 (a) | 169,136,485 | 242,462,552 | 73,326,067 | 69.8 | 16,804,153 | 436.4 |
| 10/1/2011 (b) | 181,340,214 | 257,679,603 | 76,339,389 | 70.4 | 15,514,029 | 492.1 |
| 10/1/2011 (a) | 181,340,214 | 262,937,589 | 81,597,375 | 69.0 | 15,514,029 | 526.0 |
| 10/1/2012 (b) | 179,509,950 | 265,958,940 | 86,448,990 | 67.5 | 14,432,987 | 599.0 |
| 10/1/2012 (a) | 179,509,950 | 271,407,516 | 91,897,566 | 66.1 | 14,432,987 | 636.7 |

(b) – Before changes

(a) – After changes

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Disclosure Information Under GASB 25/27 – (continued)

IV. Schedule of Employer Contributions

| <u>Year Ended September 30</u> | <u>Annual Required Contribution (ARC) (\$)</u> | <u>Annual Pension Cost (APC) (\$)</u> | <u>Actual Contribution (\$)</u> | <u>Percentage of ARC Contributed (%)</u> | <u>Percentage of APC Contributed (%)</u> | <u>Net Pension Obligation (NPO) (\$)</u> |
|------------------------------------|--|---|---|--|--|--|
| 1991 | 2,424,568 | | 2,429,681 | 100.2 | | |
| 1992 | 2,318,532 | | 2,318,532 | 100.0 | | |
| 1993 | 2,442,250 | | 2,442,250 | 100.0 | | |
| 1994 | 2,505,319 | | 2,663,918 | 106.3 | | |
| 1995 | 2,696,158 | | 2,852,402 | 105.8 | | |
| 1996 | 2,821,264 | | 3,045,028 | 107.9 | | |
| 1997 | 2,931,849 | | 3,115,427 | 106.3 | | |
| 1998 | 2,768,993 | | 2,933,827 | 106.0 | | |
| 1999 | 1,594,513 | | 1,679,972 | 105.4 | | |
| 2000 | 819,477 | | 889,568 | 108.6 | | |
| 2001 | 129,793 | | 202,684 | 156.2 | | |
| 2002 | 0 | | 124,502 | N/A | | |
| 2003 | 1,052,594 | | 1,052,594 | 100.0 | | |
| 2004 | 2,952,170 | | 2,953,262 | 100.0 | | |
| 2005 | 4,551,843 | | 4,551,843 | 100.0 | 98.8 | (913,259) |
| 2006 | 6,092,213 | 6,146,831 | 6,092,213 | 100.0 | 99.1 | (858,641) |
| 2007 | 6,742,158 | 6,794,395 | 6,742,158 | 100.0 | 99.2 | (806,404) |
| 2008 | 6,541,199 | 6,592,613 | 6,541,199 | 100.0 | 99.2 | (754,990) |
| 2009 | 6,321,557 | 6,371,882 | 6,321,557 | 100.0 | 99.2 | (704,665) |
| 2010 | 6,828,542 | 6,859,098 | 6,828,542 | 100.0 | 99.6 | (674,109) |
| 2011 | 6,085,623 | 6,115,028 | 6,085,623 | 100.0 | 99.5 | (644,704) |
| 2012 | 5,527,605 | 5,552,754 | 5,527,605 | 100.0 | 99.5 | (619,555) |

* Inclusive of State monies prior to year end September 30, 1999

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Disclosure Information Under GASB 25/27 – (continued)

V. Net Pension Obligation

| Employer FYE September 30 | 2012 | 2011 | 2010 |
|---|-------------|-------------|-------------|
| Annual Required Contribution (ARC) ⁽¹⁾ | 5,527,605 | 6,085,623 | 6,828,542 |
| Interest on Net Pension Obligation (NPO) | (50,932) | (54,603) | (59,897) |
| Adjustment to ARC | (76,081) | (84,008) | (90,453) |
| Annual Pension Cost (APC) | 5,552,754 | 6,115,028 | 6,859,098 |
| Contributions Made | 5,527,605 | 6,085,623 | 6,828,542 |
| Increase (decrease) in NPO | 25,149 | 29,405 | 30,556 |
| NPO at beginning of year | (644,704) | (674,109) | (704,665) |
| NPO at end of year | (619,555) | (644,704) | (674,109) |

⁽¹⁾ Excludes expected State contribution.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

History of Salary Increases for
Participants Continuing from Prior
Valuation Who are Under Assumed Retirement Age

| Plan Year Ending | Average Salary Increase [*] | |
|-----------------------------|--------------------------------------|-----------|
| | Police % | Fire % |
| 2012 | 0.5 | 1.9 |
| 2011 | -1.7 | -1.5 |
| 2010 | 10.2 | 3.0 |
| 2009 | 4.7 | 2.2 |
| 2008 | 4.7 | 8.9 |
| 2007 | 4.4 | 7.3 |
| 2006 | 3.9 | 4.5 |
| 2005 | 4.4 | 8.8 |
| 2004 | 5.5 | 8.1 |
| 2003 | 5.3 | 7.3 |
| 2002 | 7.4 | 4.1 |
| 2001 | 2.0 | 12.7 |
| 2000 | 12.7 | 7.7 |
| 1999 | 4.9 | 5.5 |
| 1998 | | 5.8 |
| 1997 | | 3.5 |
| 1996 | | 6.0 |
| 1995 | | 5.0 |
| 1994 | | 5.7 |
| 1993 | | 6.8 |
| 1992 | | 5.6 |
| 1991 | | 6.2 |
| 1990 | | 4.7 |
| 1989 | | 7.5 |
| 1988 | | 8.6 |
| 1987 | | 8.1 |
| 1986 | | 8.2 |
| 1985 | 5.1 | 6.6 |
| 1984 | 7.9 | 10.0 |
| 1983 | 7.2 | 8.8 |
| 1982 | 10.7 | 12.3 |
| 1981 | 11.1 | 11.8 |
| Average Increase Since 1998 | 5.2 | 6.0 |

Notes: ^{*} Based on October 1, 2011 Gabriel Roeder Smith report.

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

History of Premium Tax Refunds
(175 and 185 Combined)

| <u>Year</u> | <u>Amount</u> -\$- | <u>Increase (Decrease) Over</u> <u>Previous Year</u> -%- |
|-------------|-----------------------|--|
| 2012 | 2,034,578 | (0.9) |
| 2011 | 2,052,947 | 9.0 |
| 2010 | 1,884,143 | (21.8) |
| 2009 | 2,408,197 | 5.8 |
| 2008 | 2,276,364 | 23.9 |
| 2007 | 1,837,189 | 4.3 |
| 2006 | 1,762,094 | 5.3 |
| 2005 | 1,672,927 | 0.0 |
| 2004 | 1,673,071 | 6.8 |
| 2003 | 1,567,239 | 5.8 |
| 2002 | 1,481,280 | (0.2) |
| 2001 | 1,484,938 | 20.0 |
| 2000 | 1,237,362 | 3.4 |
| 1999 | 1,197,163 | (0.3) |
| 1998 | 1,201,010 | 9.2 |
| 1997 | 1,099,822 | 7.4 |
| 1996 | 1,023,764 | 11.7 |
| 1995 | 916,244 | 2.0 |
| 1994 | 898,599 | 18.3 |
| 1993 | 759,379 | 1.6 |
| 1992 | 747,284 | (4.7) |
| 1991 | 783,811 | (1.1) |
| 1990 | 792,414 | 2.5 |
| 1989 | 772,806 | 3.0 |
| 1988 | 750,608 | 11.2 |
| 1987 | 674,924 | 14.5 |
| 1986 | 589,432 | 31.5 |
| 1985 | 448,273 | 9.1 |
| 1984 | 410,800 | 5.9 |
| 1983 | 387,786 | 9.2 |
| 1982 | 355,199 | 8.8 |
| 1981 | 326,419 | 9.3 |
| 1980 | 298,540 | 5.4 |
| 1979 | 283,243 | 13.8 |
| 1978 | 248,946 | 12.0 |
| 1977 | 222,228 | 21.1 |
| 1976 | 183,470 | 13.5 |
| 1975 | 161,588 | 14.5 |
| 1974 | 71,441 | (1.0) |
| 1973 | 71,948 | 40.0 |
| 1972 | 51,574 | (9.0) |
| 1971 | 56,680 | 23.0 |
| 1970 | 46,131 | 34.0 |
| 1969 | 34,542 | 9.0 |
| 1968 | 31,722 | 7.0 |
| 1967 | 29,553 | 6.0 |
| 1966 | 27,812 | 12.0 |
| 1965 | 24,906 | 3.0 |
| 1964 | 24,196 | 7.0 |
| 1963 | 22,626 | 15.0 |
| 1962 | 19,754 | (14.0) |
| 1961 | 23,089 | 16.0 |
| 1956-60 | 84,097 | -- |
| 1951-55 | 36,833 | -- |
| 1946-50 | 18,565 | -- |
| 1940-45 | 9,840 | -- |

**POMPANO BEACH
POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

Asset Allocation

| | <u>Police</u> | <u>Fire</u> | <u>Total</u> |
|-------------------------------------|----------------|------------------|------------------|
| Actuarial Value at 10/1/11 | 97,390,540 | 102,168,729 | 199,559,269 |
| Contribution by | | | |
| - Members | 235,226 | 1,265,491 | 1,500,717 |
| - City | - | 2,931,056 | 2,931,056 |
| - BSO | 2,596,549 | - | 2,596,549 |
| - State | <u>777,329</u> | <u>1,257,249</u> | <u>2,034,578</u> |
| - Total | 3,609,104 | 5,453,796 | 9,062,900 |
| Net Earnings Recognized | 2,631,364 | 2,821,071 | 5,452,435 |
| Disbursements | | | |
| - Benefit Payment | 9,205,253 | 6,716,547 | 15,921,800 |
| - Refunds | - | 250,631 | 250,631 |
| - Administrative Expenses | <u>287,330</u> | <u>308,044</u> | <u>595,374</u> |
| - Total | 9,492,583 | 7,275,222 | 16,767,805 |
| Actuarial Value at 10/1/12 | 94,138,425 | 103,168,374 | 197,306,799 |
| DROP Account Balance | 4,872,516 | 12,273,151 | 17,145,667 |
| State Contribution Reserve | 215,163 | 436,019 | 651,182 |
| Adjusted Actuarial Value at 10/1/12 | 89,050,746 | 90,459,204 | 179,509,950 |