



May 14, 2010

Pension Board
General and Police Pension Funds
c/o Mr. Peter Prior
Pension Administrator
Benefits USA, Inc.
3810 Inverrary Boulevard, Suite 302
Lauderhill, Florida 33319

**Re: South Miami Pension Plan
October 1, 2009 Actuarial Valuation**

Dear Board Members:

As requested, we are pleased to enclose sixteen (16) copies of the October 1, 2009 Actuarial Valuation Report.

We presented the Report at today's Board meeting.

We appreciate the opportunity to perform this important function on behalf of the membership.

Upon approval, we recommend that you provide a copy of our Report to:

Mr. Douglas E. Beckendorf, A.S.A.
Bureau of Local Retirement Services
Division of Retirement
Building 8
1317 Winewood Blvd
Tallahassee, Florida 32399-6570

Ms. Patricia Shoemaker
Office of Municipal Police Officers'
& Firefighters' Pension Fund
Building 8
1317 Winewood Blvd
Tallahassee, Florida 32399-6570

If you should have any questions concerning the above, please do not hesitate to contact us.

Sincerest regards,

Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary

Enclosure

cc: Kenneth Harrison, Esq. (w/ Enclosure)

South Miami Pension Plan

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April 26, 2010

Pension Board
South Miami Pension Fund
c/o Ms. Emilie Smith
Pension Administrator
Benefits USA, Inc.
3810 Inverrary Boulevard
Suite 302
Lauderhill, Florida 33319

Re: October 1, 2009 Actuarial Valuation

Dear Board Members:

We are pleased to present our October 1, 2009 Actuarial Valuation Report for the South Miami Pension Plan. The purpose of this report is to indicate appropriate contribution levels, monitor minimum funding requirements, comment on the actuarial stability of the Plan and to satisfy State and accounting requirements. The Pension Board has retained Gabriel, Roeder, Smith & Company (GRS) to prepare an annual Actuarial Valuation.

This report consists of this commentary, detailed Tables I through XV, and the State Required Exhibit on Table XVI. The Tables contain basic Plan cost figures plus significant details on the benefits, liabilities and experience of the Plan. We suggest that you thoroughly review the report at your convenience and contact us with any questions that may arise.

Retirement Plan Costs

Our Actuarial Valuation develops the required minimum Retirement Plan payment for the fiscal year beginning October 1, 2009 under the Florida Protection of Public Employee Retirement Benefits Act and Chapter 185. The minimum payment consists of payment of annual normal costs including expenses and amortization of the components of the unfunded actuarial accrued liability over various periods as prescribed by law. The minimum required payment is as follows (figures in parentheses are the Plan cost expressed as a percentage of the applicable covered annual payroll as of October 1, 2009).

General Employees	\$ 1,117,042	(25.2%)
Police Officers	<u>950,720</u>	(29.9%)
Total	\$ 2,067,762	(27.1%)

This total cost is to be met by Member, City and State contributions. We anticipate the following member contributions and State contributions which result in the following City contribution requirement.

	General Employees	Police Officers	Total
Members	\$ 422,340 (9.5%)	\$ 388,176 (12.2%)	\$ 810,516 (10.6%)
State	N/A	37,780 (1.2%)	37,780 (0.5%)
City	694,702 (15.7%)	524,764 (16.5%)	1,219,466 (16.0%)
Total	\$ 1,117,042 (25.2%)	\$ 950,720 (29.9%)	\$ 2,067,762 (27.1%)

If the Police Officer contributions are not increased to split the required City contribution in excess of 7.5% of payroll (as adjusted by Ordinance adopted March 16, 2010) the City contribution must be increased to maintain actuarial soundness. If the General Employee contributions are not increased to split the required City contribution in excess of 7.0% of payroll (as adjusted by Ordinance adopted March 16, 2010) the City contribution may be increased to maintain actuarial soundness.

If the total State payments under F.S., Chapter 185 total less than \$60,249, the contribution must be increased by such deficiency – maximum \$37,780.

Changes in Actuarial Assumptions, Methods and Plan Benefits

Effective October 1, 2009 and for one fiscal year thereafter, participant contributions for non bargaining unit employees, members of the AFSME bargaining unit and members of the Police Lieutenant and Captains bargaining unit are reduced by two percent (2%). The remaining Plan provisions remain unchanged from the October 1, 2008 Actuarial Valuation. The Plan benefits are summarized on Table IX.

The actuarial assumptions have been updated effective October 1, 2009 to reflect the results of our Experience Study for the five years ended September 30, 2009.

- Assumed mortality rates for healthy General Employees have been updated to the RP 2000 Mortality Table with separate rates for males and females and for annuitants and non-annuitants, with generational mortality improvements fully projected to each future decrement date.
- Assumed mortality rates for healthy Police Officers have been updated to the RP 2000 Mortality Table with Blue Collar Adjustment with separate rates for males and females and for annuitants and non-annuitants, with generational mortality improvements fully projected to each future decrement date.
- Assumed mortality rates for disabled participants have been updated to the RP 2000 Disabled Mortality Table with separate rates for males and females with generational mortality improvements fully projected to each future decrement date.
- Assumed Fund return has been updated to 7.5%, compounded annually.
- Assumed retirement rates, withdrawal rates and salary increase rates have been updated as outlined on Table X.

The remaining actuarial assumptions and methods are unchanged from the October 1, 2008 Actuarial Valuation. The actuarial assumptions and methods are outlined on Table X.

Comparison of October 1, 2008 and October 1, 2009 Valuation Results

Table II of our report provides information of a comparative nature. The left columns of the Table indicate the costs as calculated for October 1, 2008. The center columns indicate the costs as calculated for October 1, 2009, prior to the change in actuarial assumptions and Plan amendment. The right columns indicate the costs as calculated for October 1, 2009 after the change in actuarial assumptions and Plan amendment.

Comparing the left and center columns of Table II shows the effect of Plan experience during the year. For **General Employees**, the total number of active participants increased by approximately 29% while covered payroll increased by approximately 33%. The total normal cost increased as a dollar amount but decreased as a percentage of covered payroll. The unfunded actuarial accrued liability increased both as a dollar amount and as a percentage of covered payroll. The required Member contributions increased as a dollar amount but decreased as a percentage of covered payroll. The net City minimum funding requirement increased both as a dollar amount and as a percentage of covered payroll.

Comparing the center and right columns of Table II shows the effect of the update in actuarial assumptions and Plan amendment. For **General Employees**, the unfunded actuarial accrued liability, total normal cost and the net City minimum funding requirement all increased. The required Member contributions decreased.

Comparing the left and center columns of Table II (Continued) shows the effect of Plan experience during the year. For **Police Officers**, the total number of active participants increased by approximately 15% while covered payroll increased by approximately 11%. The total normal cost increased both as a dollar amount and as a percentage of covered payroll. The unfunded actuarial accrued liability increased both as a dollar amount and as a percentage of covered payroll. The required Member contributions increased as a dollar amount but decreased as a percentage of covered payroll. The net City minimum funding requirement increased both as a dollar amount and as a percentage of covered payroll.

Comparing the center and right columns of Table II (Continued) shows the effect of the update in actuarial assumptions and Plan amendment. For **Police Officers**, the unfunded actuarial accrued liability, total normal cost and the net City minimum funding requirement all increased. The required Member contributions decreased.

The ratio of Plan assets (market value) to the value of vested accrued benefits (Vested Benefit Security Ratio) is 88.8% (94.9% prior to the update in actuarial assumptions and Plan amendment). This is a decrease from 97.5% as of October 1, 2008.

Plan Experience

Table VI indicates that net Plan experience resulted in a net actuarial loss of \$1,571,777. General Employees experienced an actuarial loss of \$1,207,817 and Police Officers experienced an actuarial loss of \$363,960. This suggests that actual overall experience was less favorable than expected under the prior assumptions.

Table XV (salary, termination and investment yield) provides figures on recent plan experience. The salary experience indicates that actual salary increases during fiscal 2009 were 7.3% for General Employees and 3.0% for Police Officers. Compared to our prior salary increase assumption of 5.0% - 7.0%, salary experience was generally a source of actuarial loss for General Employees and an offsetting source of actuarial gain for Police Officers. General Employee turnover this year was 40% of the prior assumed turnover and was generally a source of actuarial loss. Police Officer turnover this year was 80% of the prior assumed turnover and was also generally a source of actuarial loss.

The actuarial value investment return of 3.1% was less than our prior assumption of 8.0%. Investment return was a significant source of actuarial loss during the previous year. The three, five and ten year average annual actuarial value investment returns are 5.8%, 5.5% and 4.5%, respectively. The one, three, five and ten year average annual market value investment returns are 4.5%, 1.0%, 3.7% and 2.7%, respectively.

Member Census and Financial Data

The Plan Administrator submitted the Member census data used for this valuation to us. This information contains name, sex, employee contributions, dates of birth, employment, participation and payroll information. Dates of termination and retirement are provided where applicable. The Plan Administrator updated information on inactive participants including retirees, beneficiaries and vested terminees.

We received information on Plan assets from the Plan Custodian, Fund Managers, Plan Administrator, and the City. We do not audit the asset information that is provided to us. However, we perform certain reasonableness checks and on this basis we believe that the information that we received may be reliable.

Summary

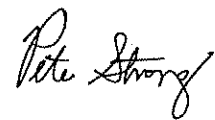
In our opinion the benefits provided for under our understanding of the current Plan will be sufficiently funded through the payment of the amount as indicated in this and future Actuarial Valuation reports. We will continue to update you on the future payment requirements for the Plan through our actuarial reports. These reports will also continue to monitor the future experience of the Plan.

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. We are available to respond to any questions with regards to matters covered in this report.

Very truly yours,



Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary



Peter N. Strong, A.S.A.
Consultant and Actuary

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009General Employees

	<u>Prior Plan /</u> <u>Prior Assumptions</u>		<u>Current Plan /</u> <u>Current Assumptions</u>	
	<u>Cost</u> <u>Data</u>	<u>% of</u> <u>Payroll</u>	<u>Cost</u> <u>Data</u>	<u>% of</u> <u>Payroll</u>
A. Participant Data Summary				
1. Active employees	94	N/A	94	N/A
2. Terminated vested	1	N/A	1	N/A
3. Receiving benefits	16	N/A	16	N/A
4. Annual payroll of active employees	\$ 4,436,444	100.0%	\$ 4,436,444	100.0%
B. Total Normal Costs				
1. Age retirement benefits	\$ 632,482	14.3%	\$ 604,606	13.6%
2. Termination benefits	41,668	0.9%	115,858	2.6%
3. Death benefits	5,766	0.1%	3,562	0.1%
4. Disability benefits	43,658	1.0%	55,153	1.2%
5. Estimated expenses	94,904	2.1%	94,904	2.1%
6. Total annual normal costs	\$ 818,478	18.4%	\$ 874,083	19.7%
C. Total Actuarial Accrued Liability				
1. Age retirement benefits active employees	\$ 8,937,016	201.4%	\$ 8,573,591	193.3%
2. Termination benefits active employees	169,629	3.8%	677,931	15.3%
3. Death benefits active employees	54,996	1.2%	43,534	1.0%
4. Disability benefits active employees	477,389	10.8%	604,660	13.6%
5. Retired or terminated vested participants receiving benefits	3,177,296	71.6%	3,326,054	75.0%
6. Terminated vested participants entitled to future benefits	393,860	8.9%	431,178	9.7%
7. Deceased participants whose beneficiaries are receiving benefits	0	0.0%	0	0.0%
8. Disabled participants receiving benefits	0	0.0%	0	0.0%
9. Miscellaneous liability	70,802	1.6%	70,802	1.6%
10. Total actuarial accrued liability	\$ 13,280,988	299.4%	\$ 13,727,750	309.4%
D. Market Value of Assets (Table V)	\$ 8,728,913	196.8%	\$ 8,728,913	196.8%
E. Actuarial Value of Assets (Table V)	\$ 9,957,659	224.5%	\$ 9,957,659	224.5%
F. Unfunded Actuarial Accrued Liability (C-E)	\$ 3,323,329	74.9%	\$ 3,770,091	85.0%

Table I
(Cont'd)

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009

General Employees

	<u>Prior Plan /</u>		<u>Current Plan /</u>	
	<u>Prior Assumptions</u>		<u>Current Assumptions</u>	
	<u>Cost</u>	<u>% of</u>	<u>Cost</u>	<u>% of</u>
	<u>Data</u>	<u>Payroll</u>	<u>Data</u>	<u>Payroll</u>
G. Total Minimum Funding Requirement				
1. Total normal cost	\$ 818,478	18.4%	\$ 874,083	19.7%
2. Amortization of unfunded liability	190,360	4.3%	203,992	4.6%
3. Interest adjustment	38,801	0.9%	38,967	0.9%
4. Total payment	\$ 1,047,639	23.6%	\$ 1,117,042	25.2%
H. Contribution Sources				
1. City	\$ 571,271	12.9%	\$ 694,702	15.7%
2. Member	\$ 476,368	10.7%	\$ 422,340	9.5%
3. State	N/A	N/A	N/A	N/A
I. Actuarial Present Value of Vested Accrued Benefits				
1. Retired, terminated vested, beneficiaries and disabled receiving benefits	\$ 3,177,296	71.6%	\$ 3,326,054	75.0%
2. Terminated vested participants entitled to future benefits and miscellaneous	464,662	10.5%	501,980	11.3%
3. Active participants entitled to future benefits	4,596,469	103.6%	4,783,818	107.8%
4. Total actuarial present value of vested accrued benefits	\$ 8,238,427	185.7%	\$ 8,611,852	194.1%
J. Unfunded Actuarial Present Value of Vested Accrued Benefits (I. - D., not less than zero)	\$ 0	0.0%	\$ 0	0.0%
K. Vested Benefit Security Ratio (D. ÷ I.)	106.0%	N/A	101.4%	N/A

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009

Police Officers

	<u>Prior Plan /</u>		<u>Current Plan /</u>	
	<u>Prior Assumptions</u>		<u>Current Assumptions</u>	
	<u>Cost</u>	<u>% of</u>	<u>Cost</u>	<u>% of</u>
	<u>Data</u>	<u>Payroll</u>	<u>Data</u>	<u>Payroll</u>
A. Participant Data Summary				
1. Active employees	46	N/A	46	N/A
2. Terminated vested	5	N/A	5	N/A
3. Receiving benefits	16	N/A	16	N/A
4. Annual payroll of active employees	\$ 3,183,318	100.0%	\$ 3,183,318	100.0%
B. Total Normal Costs				
1. Age retirement benefits	\$ 487,602	15.3%	\$ 410,915	12.9%
2. Termination benefits	49,198	1.5%	131,190	4.1%
3. Death benefits	2,132	0.1%	1,700	0.1%
4. Disability benefits	14,584	0.5%	15,017	0.5%
5. Estimated expenses	112,037	3.5%	112,037	3.5%
6. Total annual normal costs	\$ 665,553	20.9%	\$ 670,859	21.1%
C. Total Actuarial Accrued Liability				
1. Age retirement benefits active employees	\$ 8,864,225	278.5%	\$ 8,464,080	265.9%
2. Termination benefits active employees	195,113	6.1%	732,013	23.0%
3. Death benefits active employees	32,304	1.0%	27,353	0.9%
4. Disability benefits active employees	237,676	7.5%	229,793	7.2%
5. Retired or terminated vested participants receiving benefits	5,143,451	161.6%	5,426,822	170.5%
6. Terminated vested participants entitled to future benefits	883,870	27.8%	1,000,657	31.4%
7. Deceased participants whose beneficiaries are receiving benefits	139,965	4.4%	138,666	4.4%
8. Disabled participants receiving benefits	0	0.0%	0	0.0%
9. Miscellaneous liability	31,589	1.0%	31,589	1.0%
10. Total actuarial accrued liability	\$ 15,528,193	487.8%	\$ 16,050,973	504.2%
D. Market Value of Assets (Table V)	\$ 10,182,475	319.9%	\$ 10,182,475	319.9%
E. Actuarial Value of Assets (Table V)	\$ 11,648,372	365.9%	\$ 11,648,372	365.9%
F. Unfunded Actuarial Accrued Liability (C-E)	\$ 3,879,821	121.9%	\$ 4,402,601	138.3%

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009

Police Officers

	<u>Prior Plan / Prior Assumptions</u>		<u>Current Plan / Current Assumptions</u>	
	<u>Cost Data</u>	<u>% of Payroll</u>	<u>Cost Data</u>	<u>% of Payroll</u>
G. Total Minimum Funding Requirement				
1. Total normal cost	\$ 665,553	20.9%	\$ 670,859	21.1%
2. Amortization of unfunded liability	229,906	7.2%	246,037	7.7%
3. Interest adjustment	35,167	1.1%	33,824	1.1%
4. Total payment	\$ 930,626	29.2%	\$ 950,720	29.9%
H. Contribution Sources				
1. City	\$ 502,441	15.8%	\$ 524,764	16.5%
2. Member	\$ 390,405	12.3%	\$ 388,176	12.2%
3. State	\$ 37,780	1.2%	\$ 37,780	1.2%
I. Actuarial Present Value of Vested Accrued Benefits				
1. Retired, terminated vested, beneficiaries and disabled receiving benefits	\$ 5,283,416	166.0%	\$ 5,565,488	174.8%
2. Terminated vested participants entitled to future benefits and miscellaneous	915,459	28.8%	1,032,246	32.4%
3. Active participants entitled to future benefits	5,486,773	172.4%	6,088,181	191.3%
4. Total actuarial present value of vested accrued benefits	\$ 11,685,648	367.1%	\$ 12,685,915	398.5%
J. Unfunded Actuarial Present Value of Vested Accrued Benefits (I. - D., not less than zero)	\$ 1,503,173	47.2%	\$ 2,503,440	78.6%
K. Vested Benefit Security Ratio (D. ÷ I.)	87.1%	N/A	80.3%	N/A

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009

All Participants

	<u>Prior Plan / Prior Assumptions</u>		<u>Current Plan / Current Assumptions</u>	
	<u>Cost Data</u>	<u>% of Payroll</u>	<u>Cost Data</u>	<u>% of Payroll</u>
A. Participant Data Summary				
1. Active employees	140	N/A	140	N/A
2. Terminated vested	6	N/A	6	N/A
3. Receiving benefits	32	N/A	32	N/A
4. Annual payroll of active employees	\$ 7,619,762	100.0%	\$ 7,619,762	100.0%
B. Total Normal Costs				
1. Age retirement benefits	\$ 1,120,084	14.7%	\$ 1,015,521	13.3%
2. Termination benefits	90,866	1.2%	247,048	3.2%
3. Death benefits	7,898	0.1%	5,262	0.1%
4. Disability benefits	58,242	0.8%	70,170	0.9%
5. Estimated expenses	206,941	2.7%	206,941	2.7%
6. Total annual normal costs	\$ 1,484,031	19.5%	\$ 1,544,942	20.3%
C. Total Actuarial Accrued Liability				
1. Age retirement benefits active employees	\$ 17,801,241	233.6%	\$ 17,037,671	223.6%
2. Termination benefits active employees	364,742	4.8%	1,409,944	18.5%
3. Death benefits active employees	87,300	1.1%	70,887	0.9%
4. Disability benefits active employees	715,065	9.4%	834,453	11.0%
5. Retired or terminated vested participants receiving benefits	8,320,747	109.2%	8,752,876	114.9%
6. Terminated vested participants entitled to future benefits	1,277,730	16.8%	1,431,835	18.8%
7. Deceased participants whose beneficiaries are receiving benefits	139,965	1.8%	138,666	1.8%
8. Disabled participants receiving benefits	0	0.0%	0	0.0%
9. Miscellaneous liability	102,391	1.3%	102,391	1.3%
10. Total actuarial accrued liability	\$ 28,809,181	378.1%	\$ 29,778,723	390.8%
D. Market Value of Assets (Table V)	\$ 18,911,388	248.2%	\$ 18,911,388	248.2%
E. Actuarial Value of Assets (Table V)	\$ 21,606,031	283.6%	\$ 21,606,031	283.6%
F. Unfunded Actuarial Accrued Liability (C-E)	\$ 7,203,150	94.5%	\$ 8,172,692	107.3%

South Miami Pension Plan

Summary of Retirement Plan Costs as of October 1, 2009

All Participants

	<u>Prior Plan / Prior Assumptions</u>		<u>Current Plan / Current Assumptions</u>	
	<u>Cost Data</u>	<u>% of Payroll</u>	<u>Cost Data</u>	<u>% of Payroll</u>
G. Total Minimum Funding Requirement				
1. Total normal cost	\$ 1,484,031	19.5%	\$ 1,544,942	20.3%
2. Amortization of unfunded liability	420,266	5.5%	450,029	5.9%
3. Interest adjustment	73,968	1.0%	72,791	1.0%
4. Total payment	<u>\$ 1,978,265</u>	26.0%	<u>\$ 2,067,762</u>	27.1%
H. Contribution Sources				
1. City	\$ 1,073,712	14.1%	\$ 1,219,466	16.0%
2. Member	\$ 866,773	11.4%	\$ 810,516	10.6%
3. State	\$ 37,780	0.5%	\$ 37,780	0.5%
I. Actuarial Present Value of Vested Accrued Benefits				
1. Retired, terminated vested, beneficiaries and disabled receiving benefits	\$ 8,460,712	111.0%	\$ 8,891,542	116.7%
2. Terminated vested participants entitled to future benefits and miscellaneous	1,380,121	18.1%	1,534,226	20.1%
3. Active participants entitled to future benefits	<u>10,083,242</u>	132.3%	<u>10,871,999</u>	142.7%
4. Total actuarial present value of vested accrued benefits	\$ 19,924,075	261.5%	\$ 21,297,767	279.5%
J. Unfunded Actuarial Present Value of Vested Accrued Benefits (I. - D., not less than zero)	\$ 1,012,687	13.3%	\$ 2,386,379	31.3%
K. Vested Benefit Security Ratio (D. ÷ I.)	94.9%	N/A	88.8%	N/A