

DEPARTMENT:

RECOMMENDED MOTION:

CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 3/7/06

SUBJECT: General Employees Pension Plan Financial Status as of September 30, 2005

Finance Department

David Leonard, Actuary, will pres General Employees Pension.	ent the Summary Annual Evalu	ation Report for the
		· · · · · · · · · · · · · · · · · · ·
SUMMARY:		
Attached is the Summary Annual E for the General Employees Pensio Council and be available to offer pension matters.	n Plan. Mr. Leonard will prese	nt this report to City
Please see the attached report for n	nore detail.	
ATTACHMENTS: [] Ordinance [] R	Resolution [] Budget Resolution	
••	tracts Available for Review in Mana	ger's Office
DEPARTMENT HEAD	ATT BUO Sinone Bineter	Date 2/2-40 (
FINANCE DEPARTMENT	Approved as to Budget Requirements	Date (
CITY ATTORNEY VILLE	Approved as to Form and Legality	Date I I
CITY MANAGER	Approved Agenda Item For:	3/7/06
COUNCIL ACTION: [] Approved as [] Continued to		[] Tabled Indefinitely
() Continued to		

DAVID G. LEONARD, A.S.A.

595 N. Nova Road, Suite 204 • Ormond Beach, Florida 32174 Phone: (386) 673-2477 • Fax: (386) 673-7603 • Website: www.dgl-asa.com

February 24, 2006

City of Port Orange Attn: John Shelley, CPA, Finance Director 1000 City Center Circle Port Orange, FL 32129

Re: City of Port Orange General Employees
Defined Benefit Pension Plan
Our File No. FL113

Dear John:

We are pleased to enclose our special Summary Annual Valuation Report for the above plan as of October 1, 2005. Our report contains a review of the plan operations for the 2004-2005 plan year as well as a look forward for the 2005-2006 plan year.

The summary report contains many of the same sections of the full annual report that was presented to the Pension Committee, but we have omitted some technical detail and the general employee listings in the summary report.

Your 2005-06 contribution rate should be 12.02%. This assume that the plan provision are unchanged during this plan year.

Please see the General Comments section inside the report for important commentary on the current status of the plan.

If you have any questions or comments concerning this report, please feel free to give me a call at (386-673-2477.

Sincerely,

David G. Leonard, A.S.A. Enrolled Actuary 05-03604

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SUMMARY ANNUAL VALUATION REPORT

FOR

CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT PENSION PLAN

AS OF OCTOBER 1, 2005

Prepared by: David G. Leonard, A.S.A.

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^{*} Note – items italicized above are not included in the Summary Valuation Report.

I. HIGHLIGHTS

This section of the report summarizes the results of the October 1, 2005 actuarial valuation and provides a comparison with the results of the prior valuation. The development of these items for the current valuation is shown in the remaining sections of the report, along with a breakdown by employment division. The percentages in parenthesis express each amount as a percentage of covered payroll.

		Current Valuation (10/1/05)		Prior Valuation (10/1/04)	
1.	Recommended Employer Contribution	\$871,798	(12.0%)	\$866,398	(12.8%)
2.	Actual Contribution			\$875,455	
3.	Covered Payroll of Participants - Actual Proceeding Year	\$6,722,083		\$6,606,946	
	- Projected for Next Year	\$7,254,610		\$6,789,137	
4.	Normal Cost	\$1,187,536	(16.4%)	\$1,188,099	(17.5%)
5.	Assets at Market Value (DB only) (including accrued contributions)	\$12,390,180		\$10,287,191	
6.	Actuarial Value of Vested Accrued Benefits				
b. c. d. e.	Active Participants Retired / Disabled Terminated Vested Total Value of Vested Accrued Benefits Value of Non-Vested Accrued Benefits for Active Participants Assets in Excess of Vested Benefits (5 minus 6d)	\$7,016,220 863,939 3,108 \$7,883,267 1,069,371 \$4,506,913		\$5,010,936 630,824 0 \$5,641,760 300,413 \$4,645,431	
7.	Number of Participants				
a.	Active Participants	191		183	
b	. Deferred Retirements	3		3	
C.	Retired & Disabled Participants and Beneficiaries Receiving Payments	5		4	
d	. Terminated Vested Participants Not Yet Receiving Payments	5		0	
e	. Total	204		190	

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CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

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GENERAL COMMENTS Π. SUMMARY VERSION

This year's valuation was prepared on a group of 194 active members. This represents an increase of eight (8) active members over the prior year. There are five (5) members receiving retirement or disability benefits, and another five (5) terminated members due only refunds of their employee contributions plus interest.

The annual contribution as a percentage of payroll declined this year, from 12.8% to 12.0%. This occurred due to less than expected salary increases and strong trust asset performance.

The trust performed well for September 30, 2005, yielding approximately 9.1%. This return produced minor gains against the plan's assumed rate of 8%, and in the end helped reduce the recommended contribution by about \$11,000.

The plan's funded status with respect to vested accrued benefits stands at a surplus of \$4,506,913, or stated another way a funded ratio of 138%. It should be noted that this measure has been calculated using an 8% interest rate. Current interest rates indicate a lower rate is more realistic, at least if the plan were to attempt to settle all benefits now.

We ran the accrued benefit calculation using a 6% interest rate, and found that the value of the accrued liabilities increased by about \$600,000. This would reduce the funded ratio to 130%, still a mark of a well funded pension plan.

CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

3866737603

III. PLAN ASSETS

	Beginning of Year <u>10/01/2004</u>			End of Year 09/30/2005
\$	576,881.91 4,118,312.27 6,655,395.36	Cash Fixed Income Securities Equities - ICC Capital	\$	1,035,166.18 4,471,342.39 8,055,653.01
	31,056.21 0.00	Accrued Interest Accrued Dividends		34,675.23 9,785.74
S	11,381,645.75	TOTAL (Market Value)	\$	13,606,622.55
	RECEIPTS			
	Employer Contribution	1	\$	875,454.55
	Mandatory Employee			346,438.76
	Voluntary Employee C			123,458.24
	Investment Earnings			326,694.75
	Realized Gains/(Losse	s)		574,230.38
	TOTAL INCOME		\$	2,246,276.68
	DISBURSEMENTS			
	Benefit Payments		\$	196,740.78
	Investment Fees			75,687.47
	Administrative Expens	ses		12,617.30
	TOTAL EXPENSES		\$	285,045.55
	NET INCOME		\$	1,961,231.13
		CHANGE IN NET ASSETS		
	TT	(3	\$	263,745.67
	Net Income:	on (depreciation) in assets:	.	1,961,231.13
	Net increase (decrease) in net assets for the year:		2,224,976.80
	Net assets at beginning		\$	11,381,645.75
	Net assets at end of ye	ear:	\$	13,606,622.55

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CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

III. PLAN ASSETS (Continued)

Asset Recap as of September 30, 2005:

	Cost Value	Market Value
Cash: Bonds:	\$1,035,166.18	\$1,035,166.18
Corporate & Finance	\$1,028,108.30	\$1,016,057.40
GLMA Pool	1,158,774.59	1,153,776.79
Gevia Foor Govt. Sponsored Bond	507,936.00	504,236.65
Treasury	1,799,696.90	1,797,271.55
Total Bonds	\$4,494,515.79	\$4,471,342.39
Equities:	\$6,837,326.74	\$8,055,653.01
Accrued Dividends:	\$9,785.74	\$9,785.74
Accrued Interest:	\$34,675.23	\$34,675.23
Trust Totals	\$12,411,469.68	\$13,606,622.55
Assets Available for Defined Be	nefit Plan:	
Total Market Value Assets (from	\$13,606,622.55	
Less: Defin	(212,996.93)	
Volu	untary Contrib. Acets.	(1,003,445.59)
Net Assets Available for Defin	\$12,390,180.03	

V. ANNUAL VALUATION - OCTOBER 1, 2005

GASB Statement 5 and FASB Statement 35/36 Information

I. PENSION BENEFIT OBLIGATION (PBO) - GAS-5

a. Retirees/Benefic./Terminated	\$867,047
b. Current Employees I. EE Contr. & Intr.	653,457
II. ER Financed Vested	11,592,647
III. ER Financed Non-Vested	1,587,056
c. TOTALS	14,700,208
d. ASSETS - Market Value	12,390,180
e. FUNDED RATIO (10/1/2005)	84.29%
f. FUNDED RATIO (10/1/2004)	86.00%

II. PRESENT VALUE OF ACCRUED BENEFITS (PVAB) (FAS-35)

a. Retirees/Benefic./Terminated	\$867,047
b. Current Employees I. EE Contr. & Intr.	653,457
II. ER Financed Vested	6,362,762
III. ER Financed Non-Vested	1,069,371
c. TOTALS	8,952,638
d. ASSETS - Market Value	12,390,180
e. FUNDED RATIO (10/1/2005)	138.40%
f. FUNDED RATIO (10/1/2004)	172.56%

V. CURRENT YEAR MEMBERSHIP SUMMARY

The total number of active plan participants as of the current valuation date is reconciled with the total number as of the previous valuation date as follows:

Number of Active Participants as October 1, 2004:		
Decreases:		
Non-Vested Terminations (includes 3 same year terms.):	(16)	
Vested Terminations:	0	
Retirements:	(1)	
Death:	0	
Withdrawals:	(1)	
Total Decreases:	(18)	
New Entrants from October 1, 2004 to October 1, 2005 (includes rehires and same year terms.):	26	
Net Change:	8	
Number of Active Participants as of Current Valuation Date:	194	
Also as of October 1, 2005:		
Vested Terminated (refunds only due):	5	
Retired:	<u>5</u>	
Total Participants as of October 1, 2005:	204	

Note: Termination number has been estimated since we did not reconcile active participants for this year's valuation.

CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

VII. HISTORICAL INFORMATION

Actual Contribution	752,491	875,455	!
(* *	10.99%)	12.76%)	12.02%)
	$\overline{}$	$\overline{}$	$\overline{}$
Recommended Employer Contribution	686,325	866,398	871,798
Assets	8,394,944	10,287,191	12,390,180
Present Val. of Projected Benefits	22,424,281	26,409,716	27,602,490
Compensation*	6,246,033	6,789,137	7,254,610
Participants Act Other	0	4	10
Parti Act.	182	186	194
Plan Year Beginning	10/01/2003	10/01/2004	10/01/2005

NOTE: VALUES PRIOR TO 10/01/2005 WERE PREPARED BY PRIOR ACTUARY

* Compensation shown is projected for the fiscal year following the valuation date for active members only.

** Figures in parenthesis are Recommended Contribution as a percentage of compensation.

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CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

IX. RETIREMENT STATUS (Cont.)

B. Terminated/Inactive with Refund of Contributions Due

Name	Termination <u>Date</u>	Refund <u>Due</u>
Eleanor Coyne	11/05/2004	\$778.37
Barbara Davis	06/27/2005	8.04
William Farley	10/14/2004	858.50
Marianne Smith	09/07/2005	907.33
Jeffrey Starr	11/05/2004	<u>556.24</u>
Totals		3,108.48

C. Retired and Disabled Participants Receiving Monthly Benefits

<u>Name</u>	<u>Age</u>	Actual Retirement <u>Date</u>	Option <u>Chosen</u>	Monthly <u>Pension</u>	Present Value* of Benefits (October 1, 2005)
Retired					
Sandra Grimm	67	01/01/2004	10 C&L	\$1,428.58	\$165,563
Frank Klimek	67	05/01/2004	10 C&L	1,802.47	189,296
Dorothy Whitmarsh	61	06/01/2005	J&50%S	1,415.50	183,219
<u>Disabled</u>					
Cathy Reid	53	11/01/2003	10 C&L	1,333.33	184,453
Gerald Taylor	60	08/01/2004	10 C&L	1,187.68	141,405

Note: Monthly Amounts include Supplemental Retirement Benefits where applicable.

The Supplemental benefits are Life Only (thus not subject to selected option shown).

^{*} Using 83 GAM/F Mortality and 8.0% interest.

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CITY OF PORT ORANGE GENERAL EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

APPENDIX A

PENSION TRUST SUMMARY

PLAN SPONSOR:

CITY OF PORT ORANGE

TRUSTEE(S):

SALEM TRUST

EFFECTIVE DATE:

OCTOBER 1, 2003 (Restated as Defined Benefit)

ANNIVERSARY DATE: OCTOBER 1 OF EACH YEAR

DEFINITIONS

Compensation:

Basic annual income excluding overtime, commissions and bonuses, but

including all tax deferred or tax exempt items of compensation.

The normal retirement benefit shall be determined based on average compensation over the highest five consecutive years within the final ten years prior to retirement or

termination.

Accrued Benefit:

The normal retirement benefit based on completed years of

Credited Service at the time of the calculation.

Credited Service:

Service as measured in full years and completed months from date of

employment to date of retirement or termination.

Retirement Dates:

A participant shall retire on the first day of the Normal:

month coinciding with or next following his 65th birthday or 10th year of service, whichever is

later.

Early:

A participant who has attained age 55 and

completed 10 years of credited service may elect

to retire before his normal retirement date.

Disability: Any participant who becomes totally and

permanently disabled shall be entitled to monthly

A participant may continue his employment after Deferred:

his normal retirement.

Eligibility:

An employee who is not age 60 as of his Date of

Employement shall be eligible to participate in the plan on that

date.

Normal:

Retirement Benefit:

Upon retirement, a participant shall be entitled to a monthly pension equal to 2.12% of his average monthly compensation for each year of

Credited Service at his normal retirement date. The Normal Form of

benefit is Life Only.

APPENDIX A

PENSION TRUST SUMMARY (continued)

Supplemental
Retirement Benefit:

Upon retirement at Normal Retirement date or later, or Early Retirement with 25 years of Service, a Participant will be eligible for a Supplemental benefit equal to \$12 per year of Service.

Early and Retirement Benefit:

Upon retirement at his early retirement date, a participant shall receive his accrued benefit reduced 1/4 of 1% for each month by which his commencement of benefits precedes his normal retirement date.

A Participant with 25 or 30 years of Service at his Early Retirement is guaranteed a monthly benefit equal to at least 50% or 60%, respectively, of his final Average Compensation. This benefit is in addition to his Supplemental Retirement Benefit, which is subject to the normal Early Retirement reduction factors.

Disability Benefits:

For disability, different benefit levels are provided based on years of service and whether the disability was suffered in the line of duty. Please see the plan document for details regarding the different disability benefit levels.

Deferred Retirement Benefit: A participant who remains in the employment of the District after his normal retirement date shall receive the greater of the normal retirement benefit actuarially increased to his date of retirement, or the benefit based on the normal retirement benefit formula reflecting final average annual salary and service at actual retirement date.

Death Benefits:

Prior to Retirement: The named beneficiary of a deceased participant will receive a monthly annuity payable for life with 10 years certain. The amount will be determined based on the participant's actuarial present value of his accrued benefit, with a minimum of 2 times his salary and a maximum of 100 times his anticipated normal retirement benefit.

Vesting:

A participant shall have a right to his accrued benefit as follows:

Years of Serv.	Vesting	Years of Serv.	Vesting
Less than 5 yrs.	0%	8 years	70%
5 years	25%	9 years	85%
6 years	40%	10 years	100%
7 years	55%		

APPENDIX B

ACTUARIAL ASSUMPTIONS

FUNDING METHOD

Aggregate Actuarial Cost Method

INTEREST ASSUMPTION

Pre-Retirement: 8.0% Compounded Annually

Post-Retirement: 8.0% Compounded Annually

For Actuarial Equivalence:

8.0% Pre-Retirement

8.0% Post-Retirement

MORTALITY ASSUMPTION

Pre & Post Retirement:

1983 Group Annuity Tables Male and Female

For Actuarial Equivalence:

1983 Group Annuity Tables Male and Female

(Post-Retirement only)

TURNOVER

None assumed

SALARY SCALE

Salaries are assumed to increase at 6% per year, to the extent limited by law

EARLY RETIREMENT

Participants who are first eligible for Early Retirement are assumed to have an 38.3% chance of retiring prior to age 65, with a 5.0% chance at ages 55, 60, 61, 63 and 64, 3.0% chances at ages 56, 57, 58 and 59, and a 10% chance at age 62.

FUNDING MEDIA

Contributions are invested in general investments