



CITY COUNCIL AGENDA FORM

REQUESTED COUNCIL MEETING DATE: 02/26/08

SUBJECT: PRESENTATION OF ANNUAL VALUATION REPORT -
GENERAL EMPLOYEES DEFINED BENEFIT PENSION PLAN

DEPARTMENT: GENERAL EMPLOYEES PENSION COMMITTEE

RECOMMENDED MOTION:

To accept the Annual Valuation Report for the City of Port Orange General Employees Defined Benefit Pension Plan, as presented.

SUMMARY:

Each year an actuarial valuation of the General Employees Defined Benefit Plan is conducted to review plan operations over the previous year, as well as to determine the contribution rate for the upcoming year. David G. Leonard, A.S.A, the Pension Committee's Actuary, will be in attendance at this meeting to present his report and to answer questions.

Based upon the October 1, 2007 valuation, the 2007-08 required city contribution is anticipated to be in the range of 9.8% to 11.8% of payroll. This compares to the 11.4% to 12.5% recommended employer contribution last year. A 13% employer contribution has been budgeted for this purpose this year, in addition to the employee mandatory 5.9% contribution. Also of note, using a 6% discount rate, the plan continues to be fully funded at 102% of liabilities.

Mr. Leonard's Summary Report is attached.

ATTACHMENTS: Ordinance Resolution Budget Resolution

Other Support Documents Available for Review in Manager's Office

FINANCE DEPARTMENT
CITY MANAGER

Stella Lukunee
Approved Agenda Item For:

Date: 1/30/08

2/26/08

COUNCIL ACTION: Approved as Recommended Disapproved
 Tabled Indefinitely Continued to Date Certain Approved with Modification

December 31, 2007

City of Port Orange
General Employees Retirement Committee
Attn: John Shelley, Chairman
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, 2007. Our report contains a review of the plan operations for the 2006-2007 plan year as well as a look forward for the 2007-2008 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 2007-08 contribution rate should be in a range from 9.8% to 11.8% of payroll. The current rate of City contribution exceeds this level, which will serve to increase your "credit balance".

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, ext. 303.

Sincerely,



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

SUMMARY
ANNUAL VALUATION REPORT

FOR

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT PENSION PLAN

AS OF OCTOBER 1, 2007

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

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

TABLE OF CONTENTS

	PAGE
I. HIGHLIGHTS	1
II. GENERAL COMMENTS	2
III. ASSET SUMMARY	3 - 4
IV. PLAN COSTS FOR THE PLAN YEAR TO END SEPTEMBER 30, 2008 - Includes Funding Standard Account	5
V. GASB STATEMENT 5 / FASB STATEMENT 35/36 INFO.	6
VI. CURRENT YEAR MEMBERSHIP SUMMARY BY GROUP	7
VII. HISTORY OF PLAN CONTRIBUTIONS	8

APPENDIX

A. PENSION TRUST SUMMARY	13 - 14
B. ACTUARIAL ASSUMPTIONS	14a

The following sections from the full Annual Valuation Report are not included in the Summary Annual Valuation Report:

<i>IX. RETIREMENT STATUS REPORT</i>	<i>9 - 12</i>
<i>C. EMPLOYEE STATUS REPORT</i>	<i>15 - 21</i>
<i>D. BENEFIT STATUS REPORT</i>	<i>22 - 28</i>

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

I. HIGHLIGHTS

This section of the report summarizes the results of the October 1, 2007 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 for the upcoming year - a 6% salary increase factor has been factored into the percentage calculation.

	Current Valuation (10/1/07)		Prior Valuation (10/1/06)	
1. a. Recommended Employer Contribution	\$929,916	(11.8%)	\$944,216	(12.5%)
b. Minimum Employer Contribution	\$767,278	(9.8%)	\$863,791	(11.4%)
2. Actual Contribution	-----		\$1,023,333	
3. Covered Payroll of Participants - Actual Proceeding Fiscal Year	\$7,417,659		\$7,151,729	
4. Normal Cost	\$1,306,792	(16.6%)	\$1,245,967	(16.4%)
5. Assets at Market Value (DB only) (including accrued contributions)	\$16,989,913		\$14,074,164	
6. Actuarial Value of Vested Accrued Benefits				
a. Active Participants	\$8,441,227		\$9,021,458	
b. Retired / Disabled	2,782,727		1,324,807	
c. Terminated Vested	<u>83,531</u>		<u>89,970</u>	
d. Total Value of Vested Accrued Benefits	\$11,307,484		\$10,436,235	
e. Value of Non-Vested Accrued Benefits for Active Participants	1,302,154		1,012,612	
f. Assets in Excess of Vested Benefits (5 minus 6d)	\$5,682,428		\$3,637,929	
7. Number of Participants				
a. Active Participants	190		195	
b. Deferred Retirements	2		3	
c. Retired & Disabled Participants and Beneficiaries Receiving Payments	17		8	
d. Terminated Vested Participants Not Yet Receiving Payments	15		11	
e. Total	224		204	

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

II. GENERAL COMMENTS
(Summary Version)

The October 1, 2007 valuation was prepared on a group of 192 active members. This represents a decrease of six (6) active members from the prior year. The total plan population increased by 20, however, as there are now seventeen (17) members receiving retirement, survivor or disability benefits, five (5) members with vested benefits, and another ten (10) terminated members due only refunds of their employee contributions plus interest.

The "Recommended" contribution shown on page 1 has been calculated exclusive of the theoretical credit balance. The "Minimum" contribution takes the credit balance fully into account. Through the use of the credit balance, the range contribution rates again widened, however the Recommended contribution has decreased as a percentage of salary, from 12.5% to 11.8%.

The Gross Normal Cost (prior to reduction for employee mandatory contributions) increased this year from 16.4% to 16.6% of salary. This is a reflection of the improved benefit provisions, which were offset by an increase in the employee mandatory deposit from 5.0% of salary to 5.9%. This signals positive actuarial performance against our assumed rates and trends, as the net normal cost and recommended contribution did decrease.

The source of the positive actuarial experience was primarily the trust fund assets, which earned approximately 12.8% and created actuarial gains of \$769,800. These gains helped reduce the recommended contribution by more than \$68,000, or about 0.86% of salary.

The plan's funded status with respect to vested accrued benefits stands at a surplus of \$5,682,428, or which is a funded ratio of 150%. While this represents a significant improvement over last year, it should be remembered that this measure has been calculated using an 8% discount rate. Current interest rates still are distinctly lower than 8%. As an ongoing plan, the use of 8% is defensible, however if the plan were to settle benefits currently (through the purchase of paid up annuities) the surplus would rapidly disappear.

Using a 6% discount rate, the plan continues to be fully funded at 102% of liabilities.

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

III. PLAN ASSETS

<u>Beginning of Year</u> <u>10/01/2006</u>		<u>End of Year</u> <u>09/30/2007</u>
\$ 481,040.43	Cash	\$ 2,184,425.57
114,089.00	Receivable Contributions	0.00
5,628,963.89	Fixed Income Securities	5,318,990.60
9,157,269.50	Equities - ICC Capital	10,962,163.43
72,283.77	Accrued Interest	75,339.78
9,623.61	Accrued Dividends	17,017.09
\$ 15,463,270.20	TOTAL (Market Value)	\$ 18,557,936.47

RECEIPTS

Employer Contribution	\$ 1,023,333.36
Mandatory Employee Contributions	426,503.71
Voluntary Employee Contributions	141,284.45
Military Buybacks	141,677.22
Investment Earnings	531,242.93
Realized Gains/(Losses)	444,598.76

TOTAL INCOME \$ 2,708,640.43

DISBURSEMENTS

Benefit Payments	\$ 661,284.96
Investment Fees	100,242.98
Administrative Expenses	25,551.13

TOTAL EXPENSES \$ 787,079.07

NET INCOME \$ 1,921,561.36

CHANGE IN NET ASSETS

Unrealized appreciation (depreciation) in assets:	\$ 1,173,104.91
Net Income:	<u>1,921,561.36</u>
Net increase (decrease) in net assets for the year:	3,094,666.27
Net assets at beginning of year:	\$ <u>15,463,270.20</u>
Net assets at end of year:	\$ 18,557,936.47

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

III. PLAN ASSETS (Continued)

Asset Recap as of September 30, 2007:

	<u>Cost Value</u>	<u>Market Value</u>
Cash:	\$2,184,425.57	\$2,184,425.57
Bonds:		
Corporate & Finance	\$1,893,286.35	\$1,861,851.90
GLMA Pool	335,921.32	332,977.70
Govt. Sponsored Bond	1,802,708.95	1,806,161.00
Treasury	<u>1,296,062.50</u>	<u>1,318,000.00</u>
Total Bonds	\$5,327,979.12	\$5,318,990.60
Equities:	\$8,183,655.78	\$10,962,163.43
Receivable Contributions	\$0.00	\$0.00
Accrued Dividends:	\$17,017.09	\$17,017.09
Accrued Interest:	\$75,339.78	\$75,339.78
Trust Totals	\$15,788,417.34	\$18,557,936.47

Assets Available for Defined Benefit Plan:

Total Market Value Assets (from above)	\$18,557,936.47
Less: Defined Contribution Accts.	(227,755.15) *
Voluntary Contrib. Accts.	(1,340,268.74) *
Net Assets Available for Defined Benefit Plan:	\$16,989,912.58

Breakdown of Distributions from Trust Account

Payments to Retirees from Salem Trust -	
- For Defined Benefit Plan amounts	\$174,066.24
- For Voluntary/Defined Contribution Accounts	19,738.00
Payments to Terminees for Defined Benefit Amounts -	310,229.58
Miscellaneous Payments of Voluntary Accounts -	<u>157,251.14</u>
Total Distributions for the September 30, 2007 P.Y.	\$661,284.96

* This value may be understated by a minor amount.
Value is shown as reported by the current Trust Asset administrator.

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

IV. PLAN COSTS FOR THE PLAN YEAR TO END SEPTEMBER 30, 2008

Based on the participants and salaries reported on the Employee Status Report in Section IX of this report, the following is a calculation of the plan's recommended contribution for the plan year to end September 30, 2008. The Aggregate Funding Method is being used for these calculations. The actuarial assumptions employed in the calculations are shown in Appendix B. The percentage contribution is adjusted to reflect the assumed increase in salaries in the 07-08 year.

1. Present Value of Benefits:		
a. Active Participants	\$29,973,250	
b. Retired	2,782,727	
c. Terminated Vested/Refunds Due	<u>83,531</u>	
Total Present Value of Benefits		\$32,839,507
2. Valuation Assets (Market Value less credit balance):		\$16,826,335
3. Present Value of Future Normal Costs (1 minus 2):		\$16,013,173
4. Present Value of Future Covered Payroll:		\$89,966,062
5. Normal Cost Percentage (3 divided by 4):		17.80%
6. Covered Annual Payroll:		\$7,417,659
7. Normal Cost (5 times 6):		\$1,320,278
8. Expected Employee Contributions (5.9% of 6):		\$437,642
9. Expected Administrative Expenses:		\$26,000
10. Interest (4% on net Employer Cost):		\$35,305
11. Employer Contribution (7 minus 8 plus 9 plus 10) - Maximum		\$943,942
12. Less Funding Standard Account Credit Balance with Interest		\$176,664
13. Minimum Required Employer Contribution (11 less 12)		\$767,278
	Adjusted minimum contribution percentage:	9.76%

Funding Standard Account for September 30, 2007:

a. Prior FSA Credit Balance as of 10/01/2006:	\$74,468
b. Total Charges (Net Normal Cost plus Interest):	(\$981,114)
c. Credits for Contributions plus interest:	\$1,070,224
d. FSA Credit Balance as of 9/30/2007:	\$163,578

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

V. ANNUAL VALUATION - OCTOBER 1, 2007

GASB Statement 5 and FASB
Statement 35/36 Information

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

a. Retirees/Benefic./Terminated	\$2,866,258
b. Current Employees	
I. EE Contr. & Intr.	1,322,703
II. ER Financed Vested	11,979,357
III. ER Financed Non-Vested	1,852,015
c. TOTALS	18,020,332
d. ASSETS - Market Value	16,989,913
e. FUNDED RATIO (10/1/2007)	94.28%
f. FUNDED RATIO (10/1/2006)	86.79%

Note: Above calculations have been based on Unit Credit PBO.

*Per GAS-50, future calculations will be required using Entry Age
Normal Accrued Liability. As of 10/01/07, the funded ratio using
EAN-AL is 78.88%*



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

a. Retirees/Benefic./Terminated	\$2,866,258
b. Current Employees	
I. EE Contr. & Intr.	1,322,703
II. ER Financed Vested	7,118,524
III. ER Financed Non-Vested	1,302,154
c. TOTALS	12,609,638
d. ASSETS - Market Value	16,989,913
e. FUNDED RATIO (10/1/2007)	134.74%
f. FUNDED RATIO (10/1/2006)	122.93%

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT PENSION PLAN

VI. 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 prior valuation date as follows:

Number of Active Participants as of October 1, 2006:	198
Decreases:	
Non-Vested Terminations (includes new and terminated in current FY):	(16)
Vested Terminations:	(5)
Retirements:	(8)
Deaths, Withdrawals:	0
Total Increases/(Decreases):	(29)
New Entrants during 2006-07: (includes reinstate from military service)	23
Net Change:	(6)
Number of Active Participants as of October 1, 2007:	192
Also as of October 1, 2007:	
Total Vested Terminated (includes refunds due):	15
Total Retired:	17
TOTAL PARTICIPANTS:	224

* Active participants include members beyond their
Normal Retirement Dates.

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

VII. HISTORICAL INFORMATION

Plan Year Beginning	Participants Act. - Other	Compensation*	Present Val. of Projected Benefits	Assets	Recommended Employer Contribution	(**)	Actual Contribution
10/01/2003	182	0	6,246,033	22,424,281	8,394,944	(10.99%)	752,491
10/01/2004	186	4	6,789,137	26,409,716	10,287,191	(12.76%)	875,455
10/01/2005	195	10	6,722,083	27,602,490	12,390,180	(12.97%)	932,513
10/01/2006	198	19	7,151,729	29,389,441	14,074,164	(13.20%)	1,023,333
10/01/2007	192	32	7,417,659	32,839,507	16,989,913	(12.54%)	-----

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

* Compensation shown is projected for the fiscal year preceding the valuation date for active members only (beg. with 10/1/05 - previously projected compensation was used)

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

Please see prior reports for years prior to 1994

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: **Normal:** A participant shall retire on the first day of the 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 payments.

Deferred: A participant may continue his employment after his normal retirement.

Eligibility: An employee who is not age 60 as of his Date of Employment shall be eligible to participate in the plan on that date.

Normal: Upon retirement, a participant shall be entitled to a monthly pension
Retirement Benefit: 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.

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

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 \$16 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 53% or 63.6%, 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: Different disability benefit levels are provided based on years of service and whether the disability was suffered in the line of duty.

Deferred Retirement Benefit: A participant who remains in the employment of the City 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.

Employee Contrib.: Employees are required to contribute 5.9% of basic salary.

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

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

CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN

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