



July 31, 2015

Mr. Javier Collazo  
Finance Director  
City of Hialeah  
501 Palm Avenue  
Hialeah, Florida 33010-4719

**Re: City of Hialeah Elected Officers Retirement System**

Dear Javier:

As requested, we are pleased to enclose ten (10) copies of the October 1, 2014 Chapter 112.664 Compliance Report for the City of Hialeah Elected Officers Retirement System.

As required, we will timely upload the required data to the State's online portal.

Please note, we understand the following items must be posted on the System's website and must be posted on any website containing budget information relating to the City or actuarial or performance information relating to the Retirement System:

- this compliance report
- the most recent financial statement
- the most recent actuarial valuation report
- a link to the Division of Retirement Actuarial Summary Fact Sheet  
[http://www.dms.myflorida.com/workforce\\_operations/retirement/local\\_retirement\\_plans/local\\_retirement\\_section/actuarial\\_summary\\_fact\\_sheets](http://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/local_retirement_section/actuarial_summary_fact_sheets)
- for the previous five years - a side-by-side comparison of the System's assumed rate of return compared to the actual rate of return as well as the percentages of cash, equity, bond and alternative investments in the System portfolio

We appreciate the opportunity to work with the City Council on this important assignment.

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

Enclosures

cc: Ms. Ines F. Beecher (w/ enclosure)

**CITY OF HIALEAH ELECTED OFFICERS RETIREMENT SYSTEM**

*CHAPTER 112.664, F.S. COMPLIANCE REPORT*

In Connection with the October 1, 2014 Funding Actuarial Valuation Report  
and the System's Financial Reporting for the Year Ended September 30, 2014





July 31, 2015

City Council  
c/o Mr. Javier Collazo  
Finance Director  
City of Hialeah  
501 Palm Avenue  
Hialeah, Florida 33010-4719

**Re: October 1, 2014 Chapter 112.664 Compliance Report**

Dear City Council Members:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the City Council (Council) of the City of Hialeah Elected Officers Retirement System (System) to prepare a disclosure report to satisfy the requirements set forth in Chapter 112.664, F.S. and as further required pursuant to Chapter 60T-1.0035, F.A.C.

This report was prepared at the request of the Council and is intended for use by the Council and those designated or approved by the Council. This report may be provided to parties other than the Council only in its entirety and only with the permission of the Council.

The purpose of the report is to provide the required information specified in Chapter 112.664, F.S. and to supplement this information with additional exhibits. This report should not be relied on for any purpose other than the purpose described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of this engagement does not include an analysis of the potential range of such measurements.

This report was based upon information furnished by the Council and City concerning System benefits, System provisions and System members as used in the corresponding Actuarial Valuation Reports for the Valuation Dates indicated. Financial information was provided by the Council and City as of September 30, 2014. We reviewed the information provided for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Council and City.

Except where specific assumptions are required by Chapter 112.664, F.S, this report was prepared using actuarial assumptions adopted by the Council as described in Section C. The

Council's assumptions are based on past and expected future System experience and represent an estimate of future System experience.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid System assets will be sufficient to pay all System benefits. System minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act with normal cost determined as a level percent of covered payroll and a level percent amortization payment using an initial amortization period of 15 years.

The System's funded ratio as of October 1, 2014 is 137.7% defined as the ratio of the market value of System assets to the actuarial accrued liability.

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 herein. The signing actuaries are independent of the System sponsor.

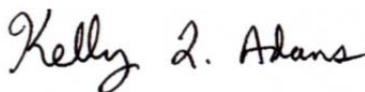
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and presents the actuarial position of the System as of the valuation date as required by statute. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), F.S., and Section 60T-1.0035, F.A.C.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

By   
Lawrence F. Wilson, M.A.A.A  
Enrolled Actuary No. 14-02802  
Senior Consultant & Actuary  
Date: July 31, 2015

By   
Kelly L. Adams, M.A.A.A  
Enrolled Actuary No. 14-06857  
Consultant & Actuary

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**SECTION A**  
**CHAPTER 112.664, F.S. RESULTS**

**Net Pension Liability**  
**Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68**

Measurement Date	9/30/2014
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 278,300
Interest	490,346
Benefit Changes	0
Difference Between Actual and Expected Experience	(76,666)
Assumption Changes	0
Benefit Payments	(230,929)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	461,051
Total Pension Liability - (beginning of year)	8,086,261
Total Pension Liability - (end of year)	\$ 8,547,312
<b>B. <u>Plan Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 305,000
Contributions - State	0
Contributions - Member	15,655
Net Investment Income	918,376
Benefit Payments	(230,929)
Contribution Refunds	0
Administrative Expenses	(9,718)
Other	0
Net Change in Plan Fiduciary Net Position	998,384
Plan Fiduciary Net Position - (beginning of year)	8,868,218
Plan Fiduciary Net Position - (end of year)	\$ 9,866,602
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	<b>\$ (1,319,290)</b>
Valuation Date	10/1/2013

**Certain Key Assumptions**

Investment Return Assumption 6.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Net Pension Liability**  
**Using Assumptions Required Under 112.664(1)(a), F.S.**

Measurement Date	9/30/2014
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 278,300
Interest	490,346
Benefit Changes	0
Difference Between Actual and Expected Experience	(76,666)
Assumption Changes	0
Benefit Payments	(230,929)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	461,051
Total Pension Liability - (beginning of year)	8,086,261
Total Pension Liability - (end of year)	\$ 8,547,312
 <b>B. <u>Plan Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 305,000
Contributions - State	0
Contributions - Member	15,655
Net Investment Income	918,376
Benefit Payments	(230,929)
Contribution Refunds	0
Administrative Expenses	(9,718)
Other	0
Net Change in Plan Fiduciary Net Position	998,384
Plan Fiduciary Net Position - (beginning of year)	8,868,218
Plan Fiduciary Net Position - (end of year)	\$ 9,866,602
 <b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	 \$ (1,319,290)
 Valuation Date	 10/1/2013

**Certain Key Assumptions**

Investment Return Assumption 6.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Net Pension Liability**  
**Using Assumptions Required Under 112.664(1)(b), F.S.**

Measurement Date	9/30/2014
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 422,025
Interest	426,282
Benefit Changes	0
Difference Between Actual and Expected Experience	(63,632)
Assumption Changes	0
Benefit Payments	(230,929)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	553,746
Total Pension Liability - (beginning of year)	10,414,116
Total Pension Liability - (end of year)	\$ 10,967,862
<b>B. <u>Plan Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 305,000
Contributions - State	0
Contributions - Member	15,655
Net Investment Income	918,376
Benefit Payments	(230,929)
Contribution Refunds	0
Administrative Expenses	(9,718)
Other	0
Net Change in Plan Fiduciary Net Position	998,384
Plan Fiduciary Net Position - (beginning of year)	8,868,218
Plan Fiduciary Net Position - (end of year)	\$ 9,866,602
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	\$ 1,101,260
Valuation Date	10/1/2013

**Certain Key Assumptions**

Investment Return Assumption 4.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Asset and Benefit Payment Projection**  
**Not Reflecting Any Future Contributions**  
Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68

<b>FYE</b>	<b>Market Value of Assets (BOY)</b>	<b>Expected Investment Return</b>	<b>Projected Benefit Payments</b>	<b>Market Value of Assets (EOY)</b>
2015	9,866,602	580,952	342,869	10,104,685
2016	10,104,685	592,804	418,401	10,279,089
2017	10,279,089	602,528	441,378	10,440,239
2018	10,440,239	612,030	446,569	10,605,700
2019	10,605,700	621,300	466,976	10,760,025
2020	10,760,025	629,402	502,916	10,886,511
2021	10,886,511	635,592	546,349	10,975,754
2022	10,975,754	639,344	596,100	11,018,998
2023	11,018,998	641,664	604,638	11,056,025
2024	11,056,025	644,125	597,218	11,102,931
2025	11,102,931	646,511	610,516	11,138,926
2026	11,138,926	648,681	610,184	11,177,424
2027	11,177,424	651,184	604,197	11,224,410
2028	11,224,410	654,208	597,821	11,280,797
2029	11,280,797	658,091	582,322	11,356,566
2030	11,356,566	663,171	565,733	11,454,005
2031	11,454,005	669,588	548,037	11,575,556
2032	11,575,556	677,458	530,121	11,722,892
2033	11,722,892	686,909	511,153	11,898,649
2034	11,898,649	698,090	491,420	12,105,319
2035	12,105,319	711,132	471,498	12,344,953
2036	12,344,953	726,152	451,574	12,619,530
2037	12,619,530	743,266	431,728	12,931,067
2038	12,931,067	762,592	412,050	13,281,609
2039	13,281,609	784,214	393,749	13,672,074
2040	13,672,074	808,217	375,873	14,104,418

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

**Certain Key Assumptions**

Investment return assumption 6.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City or Member. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the System is expected to be able to pay all future benefit payments.**

**Asset and Benefit Payment Projection**  
**Not Reflecting Any Future Contributions**  
Using Assumptions Required Under 112.664(1)(a), F.S.

<b>FYE</b>	<b>Market Value of Assets (BOY)</b>	<b>Expected Investment Return</b>	<b>Projected Benefit Payments</b>	<b>Market Value of Assets (EOY)</b>
2015	9,866,602	580,952	342,869	10,104,685
2016	10,104,685	592,804	418,401	10,279,089
2017	10,279,089	602,528	441,378	10,440,239
2018	10,440,239	612,030	446,569	10,605,700
2019	10,605,700	621,300	466,976	10,760,025
2020	10,760,025	629,402	502,916	10,886,511
2021	10,886,511	635,592	546,349	10,975,754
2022	10,975,754	639,344	596,100	11,018,998
2023	11,018,998	641,664	604,638	11,056,025
2024	11,056,025	644,125	597,218	11,102,931
2025	11,102,931	646,511	610,516	11,138,926
2026	11,138,926	648,681	610,184	11,177,424
2027	11,177,424	651,184	604,197	11,224,410
2028	11,224,410	654,208	597,821	11,280,797
2029	11,280,797	658,091	582,322	11,356,566
2030	11,356,566	663,171	565,733	11,454,005
2031	11,454,005	669,588	548,037	11,575,556
2032	11,575,556	677,458	530,121	11,722,892
2033	11,722,892	686,909	511,153	11,898,649
2034	11,898,649	698,090	491,420	12,105,319
2035	12,105,319	711,132	471,498	12,344,953
2036	12,344,953	726,152	451,574	12,619,530
2037	12,619,530	743,266	431,728	12,931,067
2038	12,931,067	762,592	412,050	13,281,609
2039	13,281,609	784,214	393,749	13,672,074
2040	13,672,074	808,217	375,873	14,104,418

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

**Certain Key Assumptions**

Investment return assumption 6.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City or Member. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the System is expected to be able to pay all future benefit payments.**

**Asset and Benefit Payment Projection**  
**Not Reflecting Any Future Contributions**  
Using Assumptions Required Under 112.664(1)(b), F.S.

<b>FYE</b>	<b>Market Value of Assets (BOY)</b>	<b>Expected Investment Return</b>	<b>Projected Benefit Payments</b>	<b>Market Value of Assets (EOY)</b>
2015	9,866,602	387,280	342,869	9,911,013
2016	9,911,013	387,429	418,401	9,880,042
2017	9,880,042	385,696	441,378	9,824,360
2018	9,824,360	383,357	446,569	9,761,147
2019	9,761,147	380,389	466,976	9,674,560
2020	9,674,560	376,151	502,916	9,547,795
2021	9,547,795	370,145	546,349	9,371,591
2022	9,371,591	362,026	596,100	9,137,517
2023	9,137,517	352,479	604,638	8,885,358
2024	8,885,358	342,552	597,218	8,630,692
2025	8,630,692	332,079	610,516	8,352,255
2026	8,352,255	320,949	610,184	8,063,020
2027	8,063,020	309,508	604,197	7,768,331
2028	7,768,331	297,858	597,821	7,468,368
2029	7,468,368	286,193	582,322	7,172,239
2030	7,172,239	274,705	565,733	6,881,212
2031	6,881,212	263,445	548,037	6,596,621
2032	6,596,621	252,448	530,121	6,318,947
2033	6,318,947	241,749	511,153	6,049,544
2034	6,049,544	231,398	491,420	5,789,522
2035	5,789,522	221,426	471,498	5,539,451
2036	5,539,451	211,853	451,574	5,299,729
2037	5,299,729	202,691	431,728	5,070,692
2038	5,070,692	193,953	412,050	4,852,595
2039	4,852,595	185,624	393,749	4,644,470
2040	4,644,470	177,684	375,873	4,446,281

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

**Certain Key Assumptions**

Investment return assumption 4.0%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City or Member. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the System is expected to be able to pay all future benefit payments.**

**ACTUARIAL DETERMINED CONTRIBUTION**

	<u>Valuation Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions</u>	<u>112.664(1)(b), F.S. Assumptions</u>
A. Valuation Date	October 1, 2014	October 1, 2014	October 1, 2014
B. Actuarial Determined Contribution to Be Paid During Fiscal Year Ending	9/30/2016	9/30/2016	9/30/2016
C. Annual Payroll of Active Employees	\$ 857,758	\$ 857,758	\$ 857,758
D. Total Minimum Funding Requirement			
1. Total Normal Cost	\$ 223,943	\$ 223,943	\$ 335,070
2. Annual Payment to Amortize Unfunded Actuarial Liability	(82,339)	(82,339)	132,707
3. Interest Adjustment	<u>11,535</u>	<u>11,535</u>	<u>27,261</u>
4. Total Minimum Funding Requirement (1. + 2. + 3., not less than 1.)	\$ 223,943	\$ 223,943	\$ 495,038
E. Expected Contribution Sources (\$ / % of pay)			
1. City	\$ 203,796 23.76%	\$ 203,796 23.76%	\$ 474,891 55.36%
2. Member	20,147 2.35%	20,147 2.35%	20,147 2.35%
3. State	<u>0 0.00%</u>	<u>0 0.00%</u>	<u>0 0.00%</u>
4. Total	\$ 223,943 26.11%	\$ 223,943 26.11%	\$ 495,038 57.71%

**Unfunded Actuarial Accrued Liabilities Bases and Amortization Payments**

	<u>Amortization Base</u>	<u>Amortization Payment</u>				<u>Remaining Funding Period</u>
		<u>Current Unfunded Liabilities</u>	<u>Valuation Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions</u>	<u>112.664(1)(b), F.S. Assumptions</u>	
10/01/2010	Combined Bases *	\$ 43,080	\$ 4,022	\$ 4,022	\$ 3,555	16 years
10/01/2011	Actuarial Loss / (Gain)	105,212	11,839	11,839	10,779	12 years
10/01/2012	Actuarial Loss / (Gain)	(127,232)	(13,559)	(13,559)	(12,251)	13 years
10/01/2013	Actuarial Loss / (Gain)	(303,895)	(30,844)	(30,844)	(27,663)	14 years
10/01/2014	Actuarial Loss / (Gain)	(553,836)	(53,797)	(53,797)	(47,897)	15 years
10/01/2014	Assumption Change - 112.664(1)(a), F.S. Assumptions	0	N/A	0	N/A	15 years
10/01/2014	Assumption Change - 112.664(1)(b), F.S. Assumptions	2,384,133	N/A	N/A	206,184	15 years

\* Combined per Internal Revenue Code Regulation 1.412(b)-1

**SECTION B**  
**SUMMARY OF PLAN PROVISIONS**

**City of Hialeah Elected Officers Retirement System**  
**Outline of Principal Provisions of the Retirement System**  
**(as of October 1, 2014)**

**A. Eligibility:**

All elected officials, city attorneys and assistant city attorneys are eligible to participate. Effective January 1, 2014, the System is closed to new entrants.

**B. Normal Retirement:**

1. Eligibility:

Earlier of:

- (a) Attainment of age 55 with completion of 8 years of credited service.
- (b) Completion of 20 years of credited service.

2. Mandatory Retirement Age:

None.

3. Amount of Pension:

Total service not to exceed 25 years, times 3.0% of final average monthly compensation at time of retirement.

4. Normal Form:

Normal form of benefit is payable for life with 60 months guaranteed.

5. Type of Final Average Salary:

Highest annual W-2 pay prior to termination or retirement divided by 12.

**C. Deferred Retirement:**

1. Eligibility:

100% vesting upon the completion of 8 years of credited service - pension begins at age 55. Employees who have not completed 8 years of credited service at date of termination of employment shall be entitled to the return of their member contributions with 3% compound interest.

2. Benefit:

Computed as a regular retirement but based upon service and compensation at time of termination.

**City of Hialeah Elected Officers Retirement System**  
**Outline of Principal Provisions of the Retirement System**  
**(as of October 1, 2014)**

**D. Duty Disability Retirement:**

None.

**E. Non-Duty Disability Retirement:**

None.

**F. Pre-Retirement Death:**

1. Eligibility:

Immediate.

2. Benefit:

Computed as for normal retirement and payable immediately, but terminates after 60 payments of monthly amount or 120 payments of one-half monthly amount.

**G. City Contributions:**

Actuarially determined amounts sufficient to cover the funding requirements.

**H. Member Contributions:**

7% of compensation for members who are not vested as of January 1, 2014. None for members who are vested as of January 1, 2014.

**I. Changes Since Previous Actuarial Valuation:**

None.

**SECTION C**  
**ACTUARIAL ASSUMPTIONS AND COST METHODS**  
**USED FOR FUNDING**

**City of Hialeah Elected Officers Retirement System**

**Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation**  
**(as of October 1, 2014)**

**A. Mortality:**

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

**B. Interest to be Earned by Fund:**

6.0%, compounded annually, net of investment expenses.

**C. Allowances for Expenses or Contingencies:**

Estimated expenses are based on actual expenses paid in previous year.

**D. Employee Withdrawal Rates:**

The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This estimate measures the probabilities of members remaining in employment. These rates were first used for the September 30, 1995 valuation for Elected Officers and September 30, 2004 for Attorneys.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Withdrawal Rates Per 100 Employees</u>	
		<u>Elected Officers</u>	<u>Attorneys</u>
ALL	0	10.00	20.00
	1	10.00	20.00
	2	10.00	20.00
	3	10.00	20.00
	4	10.00	20.00
25	5 & Over	10.00	10.00
30		10.00	10.00
35		10.00	10.00
40		10.00	10.00
45		10.00	10.00
50		10.00	10.00
55		10.00	10.00
60		10.00	10.00

**City of Hialeah Elected Officers Retirement System**

**Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation**  
**(as of October 1, 2014)**

**E. Disability Rates:**

None.

**F. Salary Increase Factors:**

Employee salaries are estimated to increase between the date of hire and date of retirement. The following assumed rates of increase in individual salaries were first used for the September 30, 2000 valuation.

<u>Sample Age</u>	<u>Salary Increase</u>
20	8.0%
30	8.0%
40	8.0%
50	8.0%
60	8.0%

General increase in wage level due to inflation is 4%.

**G. Payroll Growth Assumption:**

None.

**H. Retirement Rates:**

A member is assumed to retire upon becoming eligible for retirement after 20 or more years of service regardless of age or after attaining age 55 with 8 or more years of service. This rate was first used for the September 30, 1998 valuation.

**I. Technical Assumptions:**

1. Pay Increase Timing:

Beginning of year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the date preceding the valuation date.

2. Decrement Timing:

Decrements of all types are assumed to occur mid-year.

## City of Hialeah Elected Officers Retirement System

### Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation (as of October 1, 2014)

#### **I. Technical Assumptions (continued):**

3. Eligibility Testing:

Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

4. Benefit Service:

Exact fractional service is used to determine the amount of benefit payable.

5. Decrement Relativity:

Decrement rates are used directly from tabular rates, without adjustment for multiple decrement table effects.

6. Decrement Operation:

Mortality decrement does not operate during the first 5 years of service. Withdrawal does not operate during retirement eligibility.

7. Incidence of Contributions:

Contributions are assumed to be received midway through the fiscal year.

8. Marriage Assumption:

100% of members are assumed to be married for purposes of death-in-service benefits.

#### **J. Asset Valuation Method:**

The method used for determining the smoothed actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 20% per year. The smoothed actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

**City of Hialeah Elected Officers Retirement System**

**Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation**  
**(as of October 1, 2014)**

**K. Cost Method:**

Entry-Age-Normal Cost Method

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his entry age to his assumed retirement age to fund his estimated benefits, assuming the System had always been in effect. The normal cost for the System is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the System is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the assets of the System.

**L. Changes Since Previous Actuarial Valuation:**

None.

## GLOSSARY

<i>Actuarial Accrued Liability</i>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<i>Actuarial Assumptions</i>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members and other items.
<i>Actuarial Cost Method</i>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of Future Normal Costs and the Actuarial Accrued Liability.
<i>Actuarial Equivalent</i>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<i>Actuarial Present Value</i>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<i>Actuarial Present Value of Future Benefits</i>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<i>Actuarial Valuation</i>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 67.
<i>Actuarial Value of Assets</i>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution.

<b><i>Amortization Method</i></b>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
<b><i>Amortization Payment</i></b>	That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<b><i>Amortization Period</i></b>	The period used in calculating the Amortization Payment.
<b><i>Annual Required Contribution</i></b>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The annual required contribution consists of the Employer Normal Cost and Amortization Payment plus interest adjustment.
<b><i>Closed Amortization Period</i></b>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<b><i>Employer Normal Cost</i></b>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<b><i>Equivalent Single Amortization Period</i></b>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
<b><i>Experience Gain/Loss</i></b>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. Losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
<b><i>Funded Ratio</i></b>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<b><i>GASB</i></b>	Governmental Accounting Standards Board.

***GASB No. 67 and  
GASB No. 68***

These are the governmental accounting standards that set the accounting rules for public retirement plans and the employers that sponsor or contribute to them. Statement No. 67 sets the accounting rules for the plans themselves, while Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement plans.

***Normal Cost***

The annual cost assigned, under the Actuarial Cost Method, to the current plan year.

***Open Amortization Period***

An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

***Unfunded Actuarial Accrued Liability***

The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.

***Valuation Date***

The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.