

May 2, 2014

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

**Re: City of Hialeah Elected Officers Retirement System
October 1, 2013 Actuarial Valuation**

Dear Javier:

As requested, we are pleased to enclose ten (10) copies of the October 1, 2013 Actuarial Valuation Report for the City of Hialeah Elected Officers Retirement System.

We appreciate the opportunity to work with you on this important project and look forward to presenting the key financial results of our Actuarial Valuation at an upcoming meeting with the interested parties. Please provide the date and time for the meeting in order for us to attend and present the key financial results of our Report.

As you are aware, a copy of the Report should be filed with the State at the following address upon approval.

Mr. Douglas E. Beckendorf, A.S.A.
Florida Division of Retirement
Post Office 9000
Tallahassee, Florida 32315-9000

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)
Mr. William Grodnick, Esq. (w/ enclosure)
Mr. Nestor Caballero (w/ enclosure)



CITY OF HIALEAH ELECTED OFFICERS RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF OCTOBER 1, 2013

This Valuation Determines the Annual Contribution for the Plan Year October 1, 2013 through September 30, 2014 with City Contribution to Be Paid in the Fiscal Year October 1, 2014 to September 30, 2015

May 2, 2014

**City of Hialeah Elected Officers
Retirement System**

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May 2, 2014

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

Dear City Council Members:

October 1, 2013 Actuarial Valuation

We are pleased to present our October 1, 2013 Actuarial Valuation for the City of Hialeah Elected Officers Retirement System. The purpose of this report is to indicate appropriate contribution levels, monitor minimum funding requirements and comment on the actuarial stability of the System. Gabriel, Roeder, Smith & Company (GRS), as System actuary, is authorized to prepare an annual Actuarial Valuation. This report is prepared for and at the request of the City Council.

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

Retirement System Costs

Our Actuarial Valuation develops the required minimum System contribution under the Florida Protection of Public Employee Retirement Benefits Act. The minimum contribution 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 and includes an interest adjustment to reflect the assumed payment date. The minimum required contribution for System year ending September 30, 2014 to be paid in fiscal year ending September 30, 2015 is **\$322,854 (27.4%)**. The figure in parentheses is the minimum required System contribution expressed as a percentage of covered annual payroll as of October 1, 2013 (\$1,176,462).

This total cost is to be met by Member and City contributions. We anticipate members will contribute **\$18,728 (1.6%)**. The resulting minimum required City contribution to be paid in fiscal year ending September 30, 2015 is **\$304,126 (25.9%)**.

Changes in Actuarial Assumptions, Methods and System Benefits

System provisions remain unchanged from the previous Actuarial Impact Statement. System provisions are summarized on Table X.

The actuarial assumptions and methods remain unchanged from the previous Actuarial Impact Statement. The actuarial assumptions and methods are outlined on Table XI.

Minimum required contribution amounts reflect F.S., 112.66 (13) requirements that the City contributions not be less than the normal cost. This City funding requirement was added by Chapter 2011-216.

Projected Government Accounting Standards Board Statement Number 67 (GASB 67) actuarial disclosures are included.

Comparison of October 1, 2012 and October 1, 2013 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 the October 1, 2012 Actuarial Impact Statement. The right columns indicate the costs as calculated for October 1, 2013.

Comparing the left and right columns of Table II shows the effect of Plan experience during the year. The number of active participants increased by approximately 7%. Covered payroll increased by approximately 8%. Total normal cost increased both as a dollar amount and as a percentage of covered payroll. The unfunded actuarial accrued liability decreased both as a dollar amount and as a percentage of covered payroll. The System is now in a surplus position. The net City minimum funding requirement increased as a dollar amount but decreased as a percentage of covered payroll.

System assets exceed the value of vested accrued benefits resulting in a Vested Benefit Security Ratio (VBSR) of 145.6% - an increase from 135.4% as of October 1, 2012. The VBSR is measured on a market value of assets basis.

System Experience

Table VII indicates the System experienced an actuarial gain of \$295,072. This suggests actual System experience was more favorable than expected under the actuarial assumptions.

Table XVII provides figures on recent System experience (salary, turnover and investment yield). System salary experience indicates that actual salary increases averaged approximately 0.1% this year. Salary experience was generally a source of actuarial gain when compared to the 8.0% pay increase assumption. The latest three, five and ten-year average salary increases are 8.6%, 5.3% and 7.8%, respectively.

There was no active member turnover this year. Turnover was generally an offsetting source of actuarial loss. The latest three and five year average turnover is 20% and 40% of expected turnover, respectively.

Smoothed actuarial value investment return this year was 9.4% which exceeded the 6.0% investment return assumption. Investment return was an additional source of actuarial gain during the previous year. The latest three, five and ten-year average annual smoothed actuarial value investment returns are 8.1%, 7.9% and 5.6%, respectively. One year, three year, five and ten-year average annual market value investment returns are 9.9%, 8.9%, 9.4% and 6.3%, respectively.

Member Census and Financial Data

The City submitted the October 1, 2013 Member census data used for this valuation to us. This information contains name, Social Security number, date of birth, date of hire and actual salary paid for the previous year. Dates of termination and retirement are provided where applicable. The City updated information on inactive participants including retirees, beneficiaries and vested terminees.

We received financial information concerning System assets from the City. The information was provided as of September 30, 2013. We do not audit the Member census data and 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 is reliable.

Summary

In our opinion the benefits provided for under the current System 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 System through our actuarial reports. These reports will also continue to monitor the future experience of the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System 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); and changes in System provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

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 fairly presents the actuarial position of the System as of the valuation date. 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.

This report may be provided to parties other than the City Council only in its entirety and only with the permission of an approved representative of the City Council.

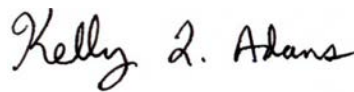
The signing actuaries are independent of the System sponsor.

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



Kelly L. Adams, A.S.A.
Consultant and Actuary

**City of Hialeah Elected Officers
Retirement System**

Summary of Retirement System Costs as of October 1, 2013

	<u>Cost Data</u>	<u>% of Payroll</u>
A. Participant Data Summary (Table III)		
1. Active employees	15	N/A
2. Terminated vested	5	N/A
3. Receiving benefits	8	N/A
4. Annual payroll of active employees	\$ 1,176,462	100.0%
B. Total Normal Costs		
1. Age retirement benefits	\$ 195,224	16.6%
2. Termination benefits	82,429	7.0%
3. Death benefits	647	0.1%
4. Disability benefits	0	0.0%
5. Estimated expenses	44,554	3.8%
6. Total annual normal costs	<u>\$ 322,854</u>	27.4%
C. Total Actuarial Accrued Liability		
1. Age retirement benefits active employees	\$ 3,872,306	329.1%
2. Termination benefits active employees	705,281	59.9%
3. Death benefits active employees	4,134	0.4%
4. Disability benefits active employees	0	0.0%
5. Retired or terminated vested participants receiving benefits	1,828,914	155.5%
6. Terminated vested participants entitled to future benefits	1,598,960	135.9%
7. Deceased participants whose beneficiaries are receiving benefits	0	0.0%
8. Disabled participants receiving benefits	0	0.0%
9. Miscellaneous liability	0	0.0%
10. Total actuarial accrued liability	<u>\$ 8,009,595</u>	680.8%
D. Smoothed Actuarial Value of Assets (Table VI)	\$ 8,284,179	704.2%
E. Unfunded Actuarial Accrued Liability (C-D)	\$ (274,584)	(23.3%)

**Table I
(Cont'd)**

**City of Hialeah Elected Officers
Retirement System**

Summary of Retirement System Costs as of October 1, 2013

	<u>Cost Data</u>	<u>% of Payroll</u>
F. Preliminary Minimum Required Contribution		
1. Total normal cost	\$ 322,854	27.4%
2. Amortization of unfunded liability	(26,542)	(2.3%)
3. Interest adjustment	25,544	2.2%
4. Total preliminary required contribution	<u>\$ 321,856</u>	27.4%
G. Minimum Required Contribution (F.S., 112.66 (13)) (Greater of F.1. and F.4.)	\$ 322,854	27.4%
H. Contribution Sources		
1. Expected City	\$ 304,126	25.9%
2. Expected Member	\$ 18,728	1.6%
I. Actuarial Gains (Losses) (Table VII)	\$ 295,072	25.1%
J. Actuarial Present Value of Vested Accumulated Benefits		
1. Retired, terminated vested, beneficiaries and disabled receiving benefits including DROP participants	\$ 1,828,914	155.5%
2. Terminated vested participants entitled to future benefits and miscellaneous	1,598,960	135.9%
3. Active participants entitled to future benefits	<u>2,664,253</u>	226.5%
4. Total actuarial present value of vested accumulated benefits	\$ 6,092,127	517.8%
K. Market Value of Assets (Table V)	\$ 8,868,218	753.8%
L. Unfunded Actuarial Present Value of Vested Accrued Benefits (J. - K., not less than zero)	\$ 0	0.0%
M. Vested Benefit Security Ratio (K. ÷ J.)	145.6%	N/A

Table II

**City of Hialeah Elected Officers
Retirement System**

Comparison of Cost Data of October 1, 2012 and October 1, 2013 Valuations

	Actuarial Impact Statement		October 1, 2013	
	October 1, 2012			
	Cost	% of Annual	Cost	% of Annual
	Data	Compensation	Data	Compensation
A. Participants				
1. Active employees	14	N/A	15	N/A
2. Terminated vested	5	N/A	5	N/A
3. Receiving benefits	8	N/A	8	N/A
4. Annual payroll of active employees	\$ 1,085,310	100.0%	\$ 1,176,462	100.0%
B. Total Normal Costs	\$ 276,086	25.4%	\$ 322,854	27.4%
C. Total Actuarial Accrued Liability	\$ 7,549,980	695.7%	\$ 8,009,595	680.8%
D. Smoothed Actuarial Value of Assets	\$ 7,484,518	689.6%	\$ 8,284,179	704.2%
E. Unfunded Actuarial Accrued Liability	\$ 65,462	6.0%	\$ (274,584)	(23.3%)
F. Minimum Required City Contribution	\$ 288,521	26.6%	\$ 304,126	25.9%
G. Actuarial Gain (Loss)	\$ 346,378	31.9%	\$ 295,072	25.1%
H. Unfunded Actuarial Present Value of Vested Accrued Benefits	\$ 0	0.0%	\$ 0	0.0%
I. Vested Benefit Security Ratio	135.4%	N/A	145.6%	N/A

Table III

**City of Hialeah Elected Officers
Retirement System**

**Characteristics of Participants in
Actuarial Valuation as of October 1, 2013**

A. Active System Participants Summary

1. Active participants fully vested	5
2. Active participants partially vested	0
3. Active participants non-vested	10
4. Total active participants	<u>15</u>
5. Annual rate of pay of active participants	\$ 1,176,462

B. Retired and Terminated Vested Participant Summary

1. Retired or terminated vested participants receiving benefits	8
2. Terminated vested participants entitled to future benefits	5
3. Deceased participants whose beneficiaries are receiving benefits	0
4. Disabled participants receiving benefits	0

C. Projected Annual Retirement Benefits

1. Retired or terminated vested receiving benefits	\$ 179,542
2. Terminated vested entitled to future benefits	178,711
3. Beneficiaries of deceased participants	0
4. Disabled participants	0

Table IV

City of Hialeah Elected Officers
Retirement System

Statement of System Assets as of October 1, 2013

	<u>Market Value¹</u>
A. <u>Cash and cash equivalents</u>	\$ 208,424
B. <u>General Investments</u>	
1. U.S. Government / Agency Bonds	\$ 3,249,645
2. Corporate Bonds	901,580
3. Mutual Funds	12
4. Common Stocks	4,844,654
C. <u>Contribution Receivable</u>	\$ 0
D. <u>Accounts Payable</u>	\$ 336,097
E. <u>System Assets</u> (A + B + C - D)	\$ 8,868,218

¹ As reported by the City

Table V

**City of Hialeah Elected Officers
Retirement System**

Reconciliation of System Assets *

A. <u>Market Value of Assets as of October 1, 2012</u>		\$	7,982,574
B. <u>Receipts During Period</u>			
1. Contributions			
a. Employee	\$	0	
b. City		312,403	
c. Total	\$	<u>312,403</u>	
2. Investment Income			
a. Dividends and other income	\$	234,434	
b. Realized gains/(losses)		57,348	
c. Unrealized gains/(losses)		505,555	
d. Investment expenses		<u>(27,216)</u>	
e. Net investment income	\$	770,121	
3. Total receipts during period		\$	1,082,524
C. <u>Disbursements During Period</u>			
1. Pension payments	\$	179,542	
2. Contribution refunds		0	
3. Administrative expenses		<u>17,338</u>	
4. Total disbursements during period		\$	196,880
D. <u>Market Value of Assets as of September 30, 2013</u>		\$	8,868,218

* As reported by City

**City of Hialeah Elected Officers
Retirement System**

Development of Smoothed Actuarial Value of Assets as of September 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Preliminary total smoothed actuarial value from prior year	\$ 6,833,524	\$ 7,484,518	\$ 8,284,179			
B. Market value beginning of year	6,759,235	7,982,574	8,868,218			
C. Market value end of year	7,982,574	8,868,218				
D. Non-investment net cash flow	76,539	88,307				
E. Investment return						
1. Total market value return: C. - B. - D.	1,146,800	797,337				
2. Amount for immediate recognition (6.0%)	407,850	481,604				
3. Amount for phased-in recognition: E.1. - E.2.	738,950	315,733				
F. Phased-in recognition of investment return						
1. Current year: 20% of E.3.	147,790	63,147				
2. First prior year	(71,615)	147,790	63,147			
3. Second prior year	31,316	(71,615)	147,790	63,147		
4. Third prior year	59,114	31,316	(71,615)	147,790	63,147	
5. Fourth prior year	N/A	59,112	31,314	(71,616)	147,790	63,145
6. Total phased-in recognition of investment return	<u>166,605</u>	<u>229,750</u>	<u>170,636</u>	<u>139,321</u>	<u>210,937</u>	<u>63,145</u>
G. Total smoothed actuarial value end of year						
1. Preliminary total smoothed actuarial value end of year: A. + D. + E.2. + F.6.	7,484,518	8,284,179				
2. Upper corridor limit: 120% of C.	9,579,089	10,641,862				
3. Lower corridor limit: 80% of C.	6,386,059	7,094,574				
4. Total smoothed actuarial value end of year: G.1., not more than G.2., nor less than G.3.	7,484,518	8,284,179				
H. Difference between total market value and total smoothed actuarial value	498,056	584,039				
I. Smoothed actuarial value rate of return	8.4%	9.4%				
J. Market value rate of return	16.9%	9.9%				
K. Smoothed actuarial value of assets	7,484,518	8,284,179				

**City of Hialeah Elected Officers
Retirement System**

**Actuarial Gains / (Losses) for
System Year Ending September 30, 2013**

A. Derivation of Actuarial Gain / (Loss)

1. City normal cost previous actuarial impact statement	\$	257,427
2. Unfunded actuarial accrued liability previous actuarial impact statement		65,462
3. City contributions previous year		312,403
4. Interest on:		
(a) Normal cost	\$	15,446
(b) Unfunded actuarial accrued liability		3,928
(c) City contributions		9,372
(d) Net total: (a) + (b) - (c)	\$	10,002
5. Expected unfunded actuarial accrued liability current year: (1. + 2. - 3. + 4.)	\$	20,488
6. Actual unfunded actuarial accrued liability current year		(274,584)
7. Actuarial gain / (loss): (5. - 6.)	\$	295,072

**B. Approximate Portion of Gain / (Loss)
Due to Investments**

1. Smoothed actuarial value of assets previous year	\$	7,484,518
2. Contributions during period		312,403
3. Benefits and expenses during period		224,096
4. Expected net appreciation for period		451,720
5. Expected smoothed actuarial value of assets current year: (1. + 2. - 3. + 4.)	\$	8,024,545
6. Actual smoothed actuarial value of assets current year	\$	8,284,179
7. Approximate investment gain / (loss): (6. - 5.)	\$	259,634

**C. Approximate Portion of Gain / (Loss)
Due to Liabilities: A. - B.**

\$ 35,438

Table VIII

**City of Hialeah Elected Officers
Retirement System**

Amortization of Unfunded Actuarial Accrued Liability

A. Unfunded Actuarial Accrued Liability

<u>Date</u>	<u>Unfunded Liability</u>	<u>Amortization Payment</u>
October 1, 2013	\$ (274,584)	\$ (26,542)
October 1, 2014	\$ (262,925)	\$ (26,542)
October 1, 2015	\$ (250,567)	\$ (26,542)
October 1, 2016	\$ (237,465)	\$ (26,542)
October 1, 2017	\$ (223,578)	\$ (26,542)
...		
...		
October 1, 2030	\$ 0	\$ 0

Table IX

**City of Hialeah Elected Officers
Retirement System
Accounting Disclosure Exhibit**

	Actuarial Valuation 10/01/2012	10/01/2013
I. <u>Number of System Members</u>		
a. Receiving benefits	8	8
b. Terminated due deferred benefits	5	5
c. Active system members	14	15
d. Total	27	28
 II. <u>Financial Accounting Standards Board Allocation</u> <u>As of October 1, 2013</u>		
A. <u>Statement of Accumulated System Benefits</u>		
1. Actuarial present value of accumulated vested system benefits		
a. Participants currently receiving benefits including DROP participants	\$ 1,877,756	\$ 1,828,914
b. Other participants	4,016,965	4,263,213
c. Total	\$ 5,894,721	\$ 6,092,127
2. Actuarial present value of accumulated non-vested system benefits	\$ 598,648	\$ 849,586
3. Total actuarial present value of accumulated system benefits	\$ 6,493,369	\$ 6,941,713
 B. <u>Statement of Change in Accumulated System Benefits</u>		
1. Actuarial present value of accumulated system benefits as of October 1, 2012		\$ 6,493,369
2. Increase (decrease) during year attributable to:		
a. System amendment		\$ 0
b. Change in actuarial assumptions		0
c. Benefits paid including refunds		(179,542)
d. Other, including benefits accumulated, increase for interest due to decrease in the discount period		627,886
e. Net increase		\$ 448,344
3. Actuarial present value of accumulated system benefits as of October 1, 2013		\$ 6,941,713
 C. <u>Significant Matters Affecting Calculations</u>		
1. Assumed rate of return used in determining actuarial present values		6.0%
2. Change in System provisions		None affecting calculations.
3. Change in actuarial assumptions		None.

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

III. Actuarial Assumptions and Methods:

Actuarial valuation date	10/01/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Smoothed market value
Investment rate of return *	6.0%
Projected salary increases *	8.0%
* Includes inflation at	4.0%

IV. Annual Required Contribution for the Current Year:

1. Total normal cost	\$	276,086	23.5%
2. Amortization of unfunded liability (30 Years)		4,487	0.4%
3. Interest adjustment		24,132	2.1%
4. Subtotal	\$	<u>304,705</u>	25.9%
5. Minimum required contribution		307,180	26.1%
6. Annual required contribution (GASB) (Greater of 4. and 5.)	\$	307,180	26.1%
7. Expected employee contributions	\$	<u>18,659</u>	1.6%
8. Annual required contribution (GASB) (6. - 7.)	\$	<u>288,521</u>	24.5%

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

V. Historical Trend Information

Schedule of Employer Costs (GASB No. 27)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/2008	\$ 313,995	159%	\$ (1,751,613)
09/30/2009	\$ 350,048	143%	\$ (1,901,565)
09/30/2010	\$ 325,925	153%	\$ (2,075,640)
09/30/2011	\$ 282,995	111%	\$ (2,106,486)
09/30/2012	\$ 247,059	113%	\$ (2,139,832)
09/30/2013	\$ 284,853	110%	\$ (2,167,382)

VI. Annual Pension Cost and Net Pension (Asset) (NPA) (GASB No. 27)

<u>Fiscal Year Ended</u>	<u>9/30/2013</u>	<u>Projected 9/30/2014</u>
Annual Required Contribution	\$ 312,403	\$ 288,521
Interest on NPA	(128,390)	(130,043)
Adjustment to ARC	100,840	161,624
APC	\$ 284,853	\$ 320,102
City Contributions	312,403	
(Increase) Decrease in NPA	(27,550)	
(NPA) - Beginning of Year	(2,139,832)	
(NPA) - End of Year	\$ (2,167,382)	

**City of Hialeah Elected Officers
Retirement System**

Schedule of Funding Progress

VII. Schedule of Funding Progress (GASB No. 27)

Actuarial Valuation Date	Smoothed Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	\$ 4,839,784	\$ 5,589,488	\$ 749,704	86.6%	\$ 1,200,461	62.5%
10/01/2009	\$ 5,530,202	\$ 6,284,075	\$ 753,873	88.0%	\$ 1,206,773	62.5%
10/01/2010	\$ 6,293,694	\$ 6,439,651	\$ 145,957	97.7%	\$ 1,113,794	13.1%
10/01/2011	\$ 6,833,524	\$ 7,237,258	\$ 403,734	94.4%	\$ 1,048,795	38.5%
10/01/2012	\$ 7,484,518	\$ 7,549,980	\$ 65,462	99.1%	\$ 1,085,310	6.0%
10/01/2013	\$ 8,284,179	\$ 8,009,595	\$ (274,584)	103.4%	\$ 1,176,462	(23.3%)

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

VIII. Net Pension Liability and Related Ratios (GASB No. 67)

	<u>Projected 9/30/2014 *</u>
Measurement date	
A. <u>Total Pension Liability</u>	
Service Cost	\$ 278,300
Interest	488,607
Benefit Changes	0
Difference Between Actual and Expected Experience	(76,666)
Assumption Changes	0
Benefit Payments, including Refunds of Member Contributions	(288,901)
Net Change in Total Pension Liability	<u>401,340</u>
Total Pension Liability (TPL) - (beginning of year)	8,086,261
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 8,487,601</u></u>
B. <u>Plan Fiduciary Net Position</u>	
Contributions - City	\$ 288,521
Contributions - Member	18,728
Net Investment Income	532,123
Benefit Payments, including Refunds of Member Contributions	(288,901)
Administrative Expenses	(17,338)
Other	0
Net Change in Plan Fiduciary Net Position	<u>533,133</u>
Plan Fiduciary Net Position - (beginning of year)	8,868,218
Plan Fiduciary Net Position - (end of year)	<u><u>\$ 9,401,351</u></u>
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	(913,750)
D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u>	110.77 %
E. <u>Covered Employee Payroll</u>	\$ 1,176,462
F. <u>NPL as a Percentage of Covered Employee Payroll: (C) / (E)</u>	(77.67%)
G. <u>Notes to Schedule:</u>	
Valuation Date	10/01/2013
Update procedures were used to roll forward the total pension liability to the measurement date	
No benefit or assumption changes during the year.	

* Projected - actual amounts will be available after fiscal year end

**Table IX
(Cont'd)**

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

IX. Schedule of the Employer's Net Pension Liability (GASB No. 67)

<u>Measurement Date</u>	<u>Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
9/30/2014 *	\$ 8,487,601	\$ 9,401,351	\$ (913,750)	110.77%	\$ 1,176,462	(77.67%)

* Projected - actual amounts will be available after fiscal year end

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

X. Schedule of Employer Contributions (GASB No. 67)

<u>Fiscal Year End</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
9/30/2014 *	\$ 288,521	\$ 288,521	\$ 0	\$ 1,176,462	24.52%

* Projected - actual amounts will be available after fiscal year end

XI. Notes to Schedule of Contributions (GASB No. 67)

Valuation Date: Actuarially determined contributions are calculated as of October 1st - two year(s) prior to the fiscal year end in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar amount, closed
Amortization Period	15 years
Asset Valuation Method	Smoothed market value
Inflation	4%
Salary Increases	8%
Investment Rate of Return	6%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP 2000 Combined Mortality Table was used, with separate rates for males and females with generational mortality improvements fully projected to each future valuation date with Scale AA.

Other Information:

Notes No benefit or assumption changes during the year.

**City of Hialeah Elected Officers
Retirement System**

Accounting Disclosure Exhibit

XII. Discount Rate (GASB No. 67)

A discount rate of 6% was used to measure the total pension liability. This discount rate was based on the expected rate of return on System investments of 6%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.

XIII. Sensitivity of the Net Pension Liability to the Discount Rate Assumption (GASB No. 67)

Measurement date: 9/30/2014 *

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	5%	6%	7%
Net Pension Liability	\$ 176,574	\$ (913,750)	\$ (1,816,976)

* Projected - actual amounts will be available after fiscal year end

**City of Hialeah Elected Officers
Retirement System**

Outline of Principal Provisions of the Retirement System

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

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 Impact Statement:

None.

**City of Hialeah Elected Officers
Retirement System**

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

A. Mortality:

The RP 2000 Combined Mortality Table was used, with separate rates for males and females with generational mortality improvements fully projected to each future valuation date with Scale AA.

B. Interest to be Earned by Fund:

6.0%, compounded annually.

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

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

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

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 Impact Statement:

None.

Table XII

**City of Hialeah Elected Officers
Retirement System
Distribution by Attained Age Groups
and Service Groups as of October 1, 2013**

<u>Attained</u> Age Group	-----COMPLETED YEARS OF SERVICE-----							<u>Total</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 & Over</u>	
Under 25	-	-	-	-	-	-	-	0
25-29	2	-	-	-	-	-	-	2
30-34	1	-	-	-	-	-	-	1
35-39	1	-	-	-	-	-	-	1
40-44	-	2	1	-	-	-	-	3
45-49	-	2	-	-	-	-	-	2
50-54	-	1	1	-	-	-	-	2
55-59	-	-	-	-	-	-	-	0
60-64	-	-	-	-	1	-	-	1
65 & Over	1	1	-	-	1	-	-	3
TOTAL	5	6	2	0	2	0	0	15
				<u>10/01/2012</u>		<u>10/01/2013</u>		
Average Attained Age				48.4 years		48.6 years		
Average Hire Age				40.5 years		40.2 years		
Average Service				7.9 years		8.3 years		
Average Pay				\$ 77,522		\$ 78,431		
Percent Female				50.0%		53.3%		

**City of Hialeah Elected Officers
Retirement System**

**Statistics for Participants Entitled to Deferred Benefits
and Participants Receiving Benefits**

A. Entitled to Deferred Benefits

<u>Current Age Group</u>	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Less than 40	-	-	-
40-44	1	\$ 9,696	\$ 9,696
45-49	3	155,874	51,958
50-54	1	13,141	13,141
55-59	-	-	-
60-64	-	-	-
65 & Over	-	-	-
TOTAL	<u>5</u>	<u>\$ 178,711</u>	<u>\$ 35,742</u>

B. Receiving Benefits

<u>Current Age Group</u>	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Less than 50	-	-	-
50-54	-	-	-
55-59	1	\$ 8,208	\$ 8,208
60-64	1	104,286	104,286
65-69	1	6,336	6,336
70-74	3	37,360	12,453
75 & Over	2	23,352	11,676
TOTAL	<u>8</u>	<u>\$ 179,542</u>	<u>\$ 22,443</u>

Table XIV

**City of Hialeah Elected Officers
Retirement System**

Reconciliation of Employee Data

A. Active Participants

1. Active participants previous year	14
2. Retired during year	0
3. Died during year	0
4. Disabled during year	0
5. Terminated during year	0
6. New active participants	1
7. Re-instated during year	0
8. Active participants current year	<u>15</u>

B. Participants Receiving Benefits

1. Participants receiving benefits previous year	8
2. New retired participants	0
3. New terminated vested receiving benefits	0
4. New disabled receiving benefits	0
5. New beneficiaries receiving benefits	0
6. Died or ceased payment during year	0
7. Retired or terminated vested receiving benefits current year	<u>8</u>

C. Terminated Vested Participants Entitled to Future Benefits

1. Terminated vested entitled previous year	5
2. Died during year	0
3. Commenced receiving benefits during year	0
4. New terminated vested	0
5. Terminated vested paid lump sum	0
6. Terminated vested entitled current year	<u>5</u>

**City of Hialeah Elected Officers
Retirement System**

Projected Retirement Benefits

<u>Fiscal Year</u>	<u>Projected Total Annual Payout</u>
2014	\$ 288,901
2015	\$ 397,657
2016	\$ 430,214
2017	\$ 461,880
2018	\$ 467,467
2019	\$ 482,136
2020	\$ 542,872
2021	\$ 593,409
2022	\$ 670,801
2023	\$ 708,630

The above projected payout of system benefits during the next ten years is based on assumptions involving all decrements. The actual payouts may differ from the above estimates depending upon the death, salary and retirement experience of the system. However, since the projected payment is recomputed each valuation date, there is an automatic correction to the extent that actual experience varies from expected experience.

**City of Hialeah Elected Officers
Retirement System**

Summary of Transaction Information

Valuation Date	Benefits Paid ¹	Administrative Expenses	City Contributions	Smoothed Actuarial Value ²
10/01/2013	\$ 179,542	\$ 17,338	\$ 312,403	\$ 8,284,179
10/01/2012	180,809	8,660	280,405	7,484,518
10/01/2011	166,290	3,190	313,841	6,833,524
10/01/2010	161,821	4,057	500,000	6,293,694
10/01/2009	161,742	6,400	500,000	5,530,202
10/01/2008	169,428	6,400	500,000	4,839,784
10/01/2007	158,082	5,800	500,000	4,507,879
10/01/2006	154,695	0	500,000	3,920,986
10/01/2005	53,796	0	400,000	3,455,014
10/01/2004	55,076	0	311,137	3,049,827
10/01/2003	56,630	0	250,000	2,664,848
10/01/2002	50,532	4,900	250,000	2,062,206
01/01/2001	50,532	4,400	250,000	1,842,622
01/01/2000	52,188	4,175	342,700	1,717,505
01/01/1999	54,146	3,975	439,873	1,307,638

¹ Includes contribution refunds

² Market Value prior to October 1, 2009

**City of Hialeah Elected Officers
Retirement System**

Recent Compensation, Termination and Investment Return Experience

Valuation Date	Compensation		Termination	Investment Return ¹		
	% Increase (Decrease)	Assumed Increase	Ratio of Actual to Expected	Market Value	Smoothed Actuarial Value ²	Assumed
10/01/2013	0.1%	8.0%	0.0	9.9%	9.4%	6.0%
10/01/2012	(0.9%)	8.0%	0.0	16.9%	8.4%	6.0%
10/01/2011	29.1%	8.0%	0.8	0.6%	6.6%	6.0%
10/01/2010	0.7%	8.0%	0.7	8.6%	7.8%	6.0%
10/01/2009	0.3%	8.0%	0.7	11.9%	7.2%	6.0%
10/01/2008	7.6%	8.0%	N/A	0.2%	0.2%	6.0%
10/01/2007	8.9%	8.0%	N/A	6.1%	6.1%	6.0%
10/01/2006	30.2%	8.0%	N/A	3.6%	3.6%	7.0%
10/01/2005	8.5%	8.0%	N/A	2.0%	2.0%	7.0%
10/01/2004	(1.1%)	8.0%	N/A	4.8%	4.8%	7.0%
Last 3 Years	8.6%	8.0%	0.2	8.9%	8.1%	6.0%
Last 5 Years	5.3%	8.0%	0.4	9.4%	7.9%	6.0%
Last 10 Years	7.8%	8.0%	N/A	6.3%	5.6%	6.3%

¹ Computed as $2I/(A+B-I)$, where A is beginning value, B is ending value and I is investment return.

² Market value prior to October 1, 2009

Table XVIII

**City of Hialeah Elected Officers
Retirement System**

Employer Contribution Information

<u>Valuation Date</u>	<u>Contribution Fiscal Year End</u>	<u>Minimum Required Employer Contributions</u>	<u>Actual Employer Contributions Made</u>
10/01/2013	09/30/2015	\$ 304,126	N/A
10/01/2012	09/30/2014	\$ 288,521	N/A
10/01/2011	09/30/2013	\$ 312,403	\$ 312,403
10/01/2010	09/30/2012	\$ 280,405	\$ 280,405
10/01/2009	09/30/2011	\$ 313,841	\$ 313,841
10/01/2008	09/30/2010	\$ 356,028	\$ 500,000
10/01/2007	09/30/2009	\$ 299,852	\$ 500,000
10/01/2006	09/30/2008	\$ 288,006	\$ 500,000
10/01/2005	09/30/2007	\$ 263,369	\$ 500,000
10/01/2004	09/30/2006	\$ 240,475	\$ 500,000
10/01/2003	09/30/2005	\$ 250,415	\$ 400,000
10/01/2002	09/30/2004	\$ 130,205	\$ 311,137
10/01/2001	09/30/2003	\$ 136,116	\$ 250,000

**City of Hialeah Elected Officers
Retirement System**

Actuarial Valuation as of October 1, 2013

State Required Exhibit

	Actuarial Impact Statement	
	<u>10/01/2012</u>	<u>10/01/2013</u>
A. <u>Participant Data</u>		
1. Active participants	14	15
2. Retired participants and beneficiaries receiving benefits	8	8
3. Disabled participants receiving benefits	0	0
4. Terminated vested participants	5	5
5. Annual payroll of active participants	\$ 1,085,310	\$ 1,176,462
6. Annual benefits payable to those currently receiving benefits	\$ 179,542	\$ 179,542
B. <u>Value of Assets</u>		
1. Smoothed Actuarial Value of Assets	\$ 7,484,518	\$ 8,284,179
2. Market Value of Assets	\$ 7,982,574	\$ 8,868,218
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 4,315,491	\$ 4,679,919
b. Vesting benefits	1,064,045	1,171,627
c. Death benefits	7,090	7,172
d. Disability benefits	0	0
e. Total	<u>\$ 5,386,626</u>	<u>\$ 5,858,718</u>
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 1,506,253	\$ 1,598,960
3. Actuarial present value of future expected benefit payments for members currently receiving benefits		
a. Service retired	\$ 1,877,756	\$ 1,828,914
b. Disability retired	0	0
c. Beneficiaries	0	0
d. Miscellaneous	0	0
e. Total	<u>\$ 1,877,756</u>	<u>\$ 1,828,914</u>

**City of Hialeah Elected Officers
Retirement System**

Actuarial Valuation as of October 1, 2013

State Required Exhibit

	Actuarial Impact Statement	
	<u>10/01/2012</u>	<u>10/01/2013</u>
4. Total actuarial present value of future expected benefit payments	\$ 8,770,635	\$ 9,286,592
5. Actuarial accrued liabilities	\$ 7,549,980	\$ 8,009,595
6. Unfunded actuarial liabilities	\$ 65,462	\$ (274,584)
D. <u>Statement of Accumulated System Benefits</u>		
	Actuarial Valuation	
1. Actuarial present value of accumulated vested benefits		
a. Participants currently receiving benefits	\$ 1,877,756	\$ 1,828,914
b. Other participants	4,016,965	4,263,213
c. Total	\$ 5,894,721	\$ 6,092,127
2. Actuarial present value of accumulated non-vested system benefits	598,648	849,586
3. Total actuarial present value of accumulated system benefits	\$ 6,493,369	\$ 6,941,713
E. <u>Statement of Change in Accumulated Plan Benefits</u>		
1. Actuarial present value of accumulated plan benefits as of October 1, 2012		\$ 6,493,369
2. Increase (decrease) during year attributable to:		
a. Plan amendment		\$ 0
b. Change in actuarial assumptions		0
c. Benefits paid including refunds		(179,542)
d. Other, including benefits accumulated and increase for interest due to decrease in the discount period		627,886
e. Net increase		\$ 448,344
3. Actuarial present value of accumulated plan benefits as of October 1, 2013		\$ 6,941,713

**City of Hialeah Elected Officers
Retirement System**

Actuarial Valuation as of October 1, 2013
State Required Exhibit

	Actuarial Impact Statement	
	<u>10/01/2012</u>	<u>10/01/2013</u>
F. <u>Pension Cost</u>		
1. Total normal cost	\$ 276,086	\$ 322,854
2. Payment required to amortize unfunded liability	6,758	(26,542)
3. Interest adjustment	24,336	25,544
4. Total preliminary required contribution	\$ 307,180	\$ 321,856
5. Total required contribution	\$ 307,180	\$ 322,854
6. Item 5 as a percentage of payroll	28.3%	27.4%
7. Estimated employee contributions	\$ 18,659 *	\$ 18,728
8. Item 7 as a percentage of payroll	1.7%	1.6%
9. Net amount payable by City	\$ 288,521	\$ 304,126
10. Item 9 as a percentage of payroll	26.6%	25.9%
G. <u>Past Contributions</u>		
1. Total contribution required (Prior Year Valuation)	\$ 312,403	\$ 288,521
2. Actual contributions made	\$ 312,403	N/A
H. <u>Net Actuarial Gain (Loss)</u>	\$ 346,378	\$ 295,072
I. <u>Disclosure of Following Items</u>		
1. Actuarial present value of future salaries - attained age	\$ 4,506,781	\$ 4,705,935
2. Actuarial present value of future employee contributions - attained age	\$ 125,588	\$ 159,978
3. Actuarial present value of future contributions from other sources	N/A	N/A
4. Amount of active members' accumulated contributions	\$ 0	\$ 0
5. Actuarial present value of future salaries and future benefits at entry age	N/A	N/A
6. Actuarial present value of future employee contributions at entry age	N/A	N/A

* Reflects full year of employee contributions. Employee contributions commence January 1, 2014.

City of Hialeah Elected Officers
Retirement System

State Required Exhibit

	<u>Unfunded Actuarial Accrued Liabilities</u>	Current Unfunded <u>Liabilities</u>	Amortization <u>Payment</u>	Remaining Funding <u>Period</u>
10/01/2010	Combined Bases *	\$ 41,740	\$ 3,758	17 years
10/01/2011	Actuarial Loss / (Gain)	102,448	10,917	13 years
10/01/2012	Actuarial Loss / (Gain)	(123,700)	(12,555)	14 years
10/01/2013	Actuarial Loss / (Gain)	<u>(295,072)</u>	<u>(28,662)</u>	15 years
	TOTAL	\$ (274,584)	\$ (26,542)	

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

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 system and/or paid from the system's assets for which liabilities or current costs have not been established or other wise provided for in the valuation. All known events or trends which may require material increase in system costs or required contribution rates have been taken into account in the valuation.

Enrollment Number: 14-02802

Dated: May 2, 2014



Lawrence F. Wilson, A.S.A.