



September 28, 2016

Mr. Chris Chiocca  
Finance Director  
City of Hialeah  
501 Palm Avenue  
Hialeah, Florida 33010-4719

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

Dear Chris:

As requested, we are pleased to enclose ten (10) copies of the October 1, 2015 Chapter 112.664 Compliance Report for the City of Hialeah Elected Officers Retirement System (System).

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

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 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
- the System's funded ratio as determined in the most recent actuarial valuation – 103.1% on a net market value of assets basis as of October 1, 2015

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, 2015 Funding Actuarial Valuation Report  
and the System's Financial Reporting for the Year Ended September 30, 2015





September 28, 2016

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

**Re: October 1, 2015 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: 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 or additional cost or contribution requirements based on the system's funded status); and changes in system 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, 2015. 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 dollar amortization payment using an initial amortization period of 15 years.

The System's funded ratio as of October 1, 2015 is 103.1% defined as the ratio of the net market value of System assets to the actuarial accrued liability.

The System's funded ratio and the GASB Net Pension Liability may not be appropriate for assessing the sufficiency of System assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions.

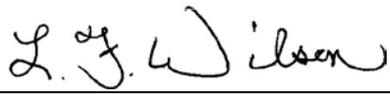
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the System sponsor.

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 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

By   
Jennifer M. Borregard, M.A.A.A  
Enrolled Actuary No. 14-07624  
Consultant & Actuary

Date: September 28, 2016

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

**City of Hialeah Elected Officers Retirement System**

**Net Pension Liability**

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

Measurement Date	<u>September 30, 2015</u>
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 214,225
Interest	502,980
Benefit Changes	0
Difference Between Actual and Expected Experience	(237,890)
Assumption Changes	0
Benefit Payments	(281,298)
Other	0
Net Change in Total Pension Liability	<u>\$ 198,017</u>
Total Pension Liability (TPL) - (beginning of year)	<u>8,547,312</u>
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 8,745,329</u></u>
<b>B. <u>System Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 304,126
Contributions - Member	21,453
Net Investment Income	(11,419)
Benefit Payments	(281,298)
Administrative Expenses	(5,925)
Other	0
Net Change in System Fiduciary Net Position	<u>\$ 26,937</u>
System Fiduciary Net Position - (beginning of year)	<u>9,866,602</u>
System Fiduciary Net Position - (end of year)	<u><u>\$ 9,893,539</u></u>
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	\$ (1,148,210)
Valuation Date	October 1, 2014

**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.

**City of Hialeah Elected Officers Retirement System**

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

	September 30, 2015
Measurement Date	
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 214,225
Interest	502,980
Benefit Changes	0
Difference Between Actual and Expected Experience	(237,890)
Assumption Changes	0
Benefit Payments	(281,298)
Other	0
Net Change in Total Pension Liability	\$ 198,017
Total Pension Liability (TPL) - (beginning of year)	8,547,312
Total Pension Liability (TPL) - (end of year)	\$ 8,745,329
<b>B. <u>System Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 304,126
Contributions - Member	21,453
Net Investment Income	(11,419)
Benefit Payments	(281,298)
Administrative Expenses	(5,925)
Other	0
Net Change in System Fiduciary Net Position	\$ 26,937
System Fiduciary Net Position - (beginning of year)	9,866,602
System Fiduciary Net Position - (end of year)	\$ 9,893,539
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	\$ (1,148,210)
Valuation Date	October 1, 2014

**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.

**City of Hialeah Elected Officers Retirement System**

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

	September 30, 2015
Measurement Date	
<b>A. <u>Total Pension Liability (TPL)</u></b>	
Service Cost	\$ 325,352
Interest	435,130
Benefit Changes	0
Difference Between Actual and Expected Experience	(274,307)
Assumption Changes	0
Benefit Payments	(281,298)
Other	0
Net Change in Total Pension Liability	\$ 204,877
Total Pension Liability (TPL) - (beginning of year)	10,967,862
Total Pension Liability (TPL) - (end of year)	\$ 11,172,739
<b>B. <u>System Fiduciary Net Position</u></b>	
Contributions - Employer	\$ 304,126
Contributions - Member	21,453
Net Investment Income	(11,419)
Benefit Payments	(281,298)
Administrative Expenses	(5,925)
Other	0
Net Change in System Fiduciary Net Position	\$ 26,937
System Fiduciary Net Position - (beginning of year)	9,866,602
System Fiduciary Net Position - (end of year)	\$ 9,893,539
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	\$ 1,279,200
Valuation Date	October 1, 2014

**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.

**City of Hialeah Elected Officers Retirement System**

**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>
2016	8,675,205	508,664	367,834	8,816,035
2017	8,816,035	514,458	450,284	8,880,209
2018	8,880,209	518,132	455,779	8,942,562
2019	8,942,562	521,200	476,663	8,987,099
2020	8,987,099	522,419	521,767	8,987,751
2021	8,987,751	521,042	565,752	8,943,041
2022	8,943,041	516,909	610,778	8,849,172
2023	8,849,172	510,887	622,881	8,737,178
2024	8,737,178	504,573	610,287	8,631,464
2025	8,631,464	497,783	624,164	8,505,083
2026	8,505,083	489,943	632,151	8,362,875
2027	8,362,875	481,611	625,918	8,218,568
2028	8,218,568	473,166	619,288	8,072,446
2029	8,072,446	464,896	603,859	7,933,483
2030	7,933,483	457,092	587,290	7,803,285
2031	7,803,285	449,858	569,334	7,683,809
2032	7,683,809	443,265	551,481	7,575,593
2033	7,575,593	437,387	532,375	7,480,605
2034	7,480,605	432,336	512,264	7,400,677
2035	7,400,677	428,195	491,938	7,336,934
2036	7,336,934	425,026	471,581	7,290,379
2037	7,290,379	422,887	451,280	7,261,986
2038	7,261,986	421,832	431,131	7,252,687
2039	7,252,687	421,857	413,049	7,261,495
2040	7,261,495	422,954	395,380	7,289,069
2041	7,289,069	425,218	376,456	7,337,831
2042	7,337,831	428,641	361,010	7,405,462

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 City or Members: 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.**

**City of Hialeah Elected Officers Retirement System**

**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>
2016	8,675,205	508,664	367,834	8,816,035
2017	8,816,035	514,458	450,284	8,880,209
2018	8,880,209	518,132	455,779	8,942,562
2019	8,942,562	521,200	476,663	8,987,099
2020	8,987,099	522,419	521,767	8,987,751
2021	8,987,751	521,042	565,752	8,943,041
2022	8,943,041	516,909	610,778	8,849,172
2023	8,849,172	510,887	622,881	8,737,178
2024	8,737,178	504,573	610,287	8,631,464
2025	8,631,464	497,783	624,164	8,505,083
2026	8,505,083	489,943	632,151	8,362,875
2027	8,362,875	481,611	625,918	8,218,568
2028	8,218,568	473,166	619,288	8,072,446
2029	8,072,446	464,896	603,859	7,933,483
2030	7,933,483	457,092	587,290	7,803,285
2031	7,803,285	449,858	569,334	7,683,809
2032	7,683,809	443,265	551,481	7,575,593
2033	7,575,593	437,387	532,375	7,480,605
2034	7,480,605	432,336	512,264	7,400,677
2035	7,400,677	428,195	491,938	7,336,934
2036	7,336,934	425,026	471,581	7,290,379
2037	7,290,379	422,887	451,280	7,261,986
2038	7,261,986	421,832	431,131	7,252,687
2039	7,252,687	421,857	413,049	7,261,495
2040	7,261,495	422,954	395,380	7,289,069
2041	7,289,069	425,218	376,456	7,337,831
2042	7,337,831	428,641	361,010	7,405,462

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 City or Members: 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.**

**City of Hialeah Elected Officers Retirement System**

**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>
2016	8,675,205	339,086	367,834	8,646,457
2017	8,646,457	336,161	450,284	8,532,334
2018	8,532,334	331,477	455,779	8,408,032
2019	8,408,032	326,055	476,663	8,257,424
2020	8,257,424	319,060	521,767	8,054,717
2021	8,054,717	310,004	565,752	7,798,969
2022	7,798,969	298,805	610,778	7,486,996
2023	7,486,996	286,065	622,881	7,150,180
2024	7,150,180	272,864	610,287	6,812,757
2025	6,812,757	259,068	624,164	6,447,661
2026	6,447,661	244,292	632,151	6,059,802
2027	6,059,802	228,912	625,918	5,662,796
2028	5,662,796	213,174	619,288	5,256,682
2029	5,256,682	197,262	603,859	4,850,085
2030	4,850,085	181,355	587,290	4,444,150
2031	4,444,150	165,504	569,334	4,040,320
2032	4,040,320	149,736	551,481	3,638,575
2033	3,638,575	134,077	532,375	3,240,277
2034	3,240,277	118,579	512,264	2,846,592
2035	2,846,592	103,269	491,938	2,457,923
2036	2,457,923	88,161	471,581	2,074,503
2037	2,074,503	73,261	451,280	1,696,484
2038	1,696,484	58,574	431,131	1,323,927
2039	1,323,927	44,061	413,049	954,939
2040	954,939	29,682	395,380	589,241
2041	589,241	15,462	376,456	228,247
2042	228,247	2,506	361,010	-

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 City or Members: 26.58

**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.**

**City of Hialeah Elected Officers Retirement System**

<b>ACTUARIALLY DETERMINED CONTRIBUTION</b>						
	<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, 2015		October 1, 2015		October 1, 2015	
B. Actuarial Determined Contribution to Be Paid During Fiscal Year Ending	September 30, 2017		September 30, 2017		September 30, 2017	
C. Annual Payroll of Active Employees	\$	791,668	\$	791,668	\$	791,668
D. Total Minimum Funding Requirement						
1. Total Normal Cost	\$	175,894	\$	175,894	\$	264,534
2. Annual Payment to Amortize Unfunded Actuarial Liability		(29,210)		(29,210)		177,760
3. Interest Adjustment		<u>11,964</u>		<u>11,964</u>		<u>25,712</u>
4. Total Minimum Funding Requirement (1. + 2. + 3., not less than 1.)	\$	175,894	\$	175,894	\$	468,006
E. Expected Contribution Sources (\$ / % of pay)						
1. City	\$	155,257	19.61%	\$	155,257	19.61%
2. Member		20,637	2.61%		20,637	2.61%
3. State		0	0.00%		0	0.00%
4. Total	\$	<u>175,894</u>	<u>22.22%</u>	\$	<u>175,894</u>	<u>22.22%</u>
					\$	468,006
						59.12%

**City of Hialeah Elected Officers Retirement System**

**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 *	\$ 50,414	\$ 4,897	\$ 4,897	\$ 4,360	15 years
10/01/2011	Actuarial Loss / (Gain)	125,505	15,012	15,012	13,775	11 years
10/01/2012	Actuarial Loss / (Gain)	(150,876)	(16,977)	(16,977)	(15,458)	12 years
10/01/2013	Actuarial Loss / (Gain)	(358,550)	(38,209)	(38,209)	(34,526)	13 years
10/01/2014	Actuarial Loss / (Gain)	(650,590)	(66,032)	(66,032)	(59,222)	14 years
10/01/2015	Actuarial Loss / (Gain)	(476,069)	(46,243)	(46,243)	(41,171)	15 years
10/01/2015	Establish Credit Balance	1,218,334	118,342	118,342	105,364	15 years
10/01/2015	Assumption Change - 112.664(1)(a), F.S. Assumptions	0	N/A	0	N/A	15 years
10/01/2015	Assumption Change - 112.664(1)(b), F.S. Assumptions	2,366,257	N/A	N/A	204,638	15 years

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

**SECTION B**  
**SUMMARY OF SYSTEM PROVISIONS**

**City of Hialeah Elected Officers Retirement System**  
**Outline of Principal Provisions of the Retirement System**  
**(as of October 1, 2015)**

**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, 2015)**

**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, 2015)**

**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, 2015)**

**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, 2015)**

**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, 2015)**

**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.