

**City of Miami  
Elected Officers' Retirement Trust**

**Actuarial Valuation Report**

**January 1, 2015**

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## Highlights

Cowden Associates, Inc. has prepared this report for the City of Miami to:

- Present the results of an actuarial valuation of the City of Miami Elected Officers' Retirement Trust ("EORT") as of January 1, 2015
- Provide a recommended employer contribution amount for the 2015 plan year
- Provide reporting information as required under Florida Statute Chapter 112 for financial statements, governmental agencies and other interested parties.

### Contribution Results

The recommended contribution amounts for the current and prior year are shown below. The contribution amount payable as of January 1 should be increased with interest at an annual rate of 3.75% to the actual contribution date.

	<u>2015</u>	<u>2014</u>
Contribution if paid on:		
January 1	\$ 452,482	\$ 376,206
December 31 (3.75% interest added)	\$ 469,450	\$ 390,314

The 2015 contribution of \$469,450 at December 31, 2015 is approximately \$79,100 higher than the comparable 2014 amount. Changes are attributable to the following items:

Expected change due to passage of time	\$ (5,600)
Asset return of 0.93% for 2014, as compared to 3.75% assumed return	39,600
Actuarial mortality gain (One participant died in 2014)	(200)
Mortality assumption change	52,400
Unreimbursed excess benefit payments for 2014	2,600
Change in projected compensation for active participant	(7,400)
Section 415 limit increase of 0.00% for 2015, as compared to 2.50% assumption	<u>(2,300)</u>
Net increase or (decrease) to contribution	\$ 79,100

### Assumption Change

The mortality assumption has been revised to reflect updated factors for future mortality improvement. Assumed mortality after the commencement of benefit payments is now based on the RP-2000 Mortality Table, adjusted for white-collar employees, using rates applicable to annuitants, and with fully-generational mortality improvement projected under Scale BB2D.

The revised assumption conforms to a provision under Florida Statutes Section 112.63(1)(f) that will be effective January 1, 2016, requiring plans to use the mortality tables and methodology employed by the Florida Retirement System (FRS) in one of its two most recently published

## Highlights - continued

actuarial valuation reports. The revised assumption for the EORT reflects the mortality assumption as described in the July 1, 2014 Actuarial Valuation Report for FRS.

A full description of the current and prior mortality assumption is in Section 3 of this report.

### Plan Changes

No plan amendments have been adopted since the prior valuation.

### Plan Interpretation and Administration

Please note that interpretation of existing plan provisions and decisions related to administration of the EORT are the responsibility of the City, as plan sponsor. Cowden Associates is not a law firm and cannot provide legal advice in this regard. Cowden has relied on guidance provided by the City as to the interpretation of certain plan provisions in order to calculate estimated projected benefits for funding purposes.

### New Pension Accounting Standards

The Governmental Accounting Standards Board (GASB) has set forth new accounting standards for governmental pension plans. The City of Miami will be required to adopt the following new standards for its pension plans:

- GASB 67 – plan financial statements
- GASB 68 – employer financial reporting

Calculations for accounting purposes will be provided in separate correspondence.

### Additional Disclosure Information Under F.S. Section 112.664

Florida Statutes were amended in 2013 to require additional actuarial disclosure information for local government pension plans to be submitted to the State. The requirements are described in Section 112.664 of the Florida Statutes. Legislation passed in 2015 required the use of a prescribed mortality assumption, as described above for F.S. Section 112.63(f)(1).

The additional disclosure information required under Section 112.664 will be provided in separate correspondence.

## Principal Valuation Results

Principal results from the current valuation and the prior valuation are shown below.

	Actuarial Valuation as of January 1:	
	2015	2014
<u>Plan Participants</u>		
Active, earning future benefits	1	1
Active, with frozen benefit	1	1
Active, payment suspended due to return to office	1	1
Terminated, with deferred benefit	2	2
Retired, benefit in payment status	5	6
Total	10	11
<u>Funding Valuation</u>		
Present Value of Projected Benefits	\$ 8,590,995	\$ 8,337,842
Value of Plan Assets	6,715,564	6,526,196
Present Value of Future City Contributions	\$ 1,875,431	\$ 1,811,646
 Recommended Contribution for Plan Year <i>using Projected Unit Credit funding method:</i>		
If paid on valuation date	\$ 452,482	\$ 376,206
If paid 12 months after valuation date (3.75% interest added)	\$ 469,450	\$ 390,314
 <u>Participant Statistics</u>		
Average Age:		
Active participants earning future benefits	55.0	54.0
Active participants with frozen or suspended benefits	70.9	69.9
Terminated participants with deferred benefit	48.6	47.6
Retired participants in payment status	69.5	70.4
 Average Monthly Benefit:		
Active participants earning future benefits (projected)	\$ 5,039	\$ 5,160
Active participants with frozen or suspended benefits	4,188	4,188
Terminated participants with deferred benefit	8,442	8,442
Retired participants in payment status	4,305	3,627

## **Actuarial Certification**

I certify that I have performed an actuarial valuation of the City of Miami Elected Officers' Retirement Trust for the plan's sponsor, the City of Miami, as of January 1, 2015 in accordance with generally accepted actuarial principles applied consistently with the preceding valuation. I meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion, and to the best of my knowledge do not have a conflict of interest, and am able to act independently in rendering this opinion.

Participant data and asset information used for this valuation were provided by the City of Miami Finance Department. We have reviewed the participant data and found it to be reasonable and of sufficient quality for valuation purposes. The plan sponsor is solely responsible for the accuracy and comprehensiveness of data provided as of the valuation date.

The plan document, in the form of the most-recently updated EORT Ordinance, was provided by the City by way of an online resource. The plan sponsor has provided guidance on the interpretation of certain plan provisions for the purpose of benefit projections for funding calculations.

The actuarial assumptions, including discount rates, mortality tables and other assumptions identified in this report, meet the requirements and intent of Part VII, Chapter 112 of the Florida Statutes. The City of Miami is responsible for selecting the Plan's funding policy, actuarial valuation methods, asset valuation methods and assumptions. Methods and assumptions used for the valuation are described in Section 4.

This report does not include an analysis of the range of future costs. Future measurements may differ significantly from the current measurement.

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 plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contributions rates have been taken into account in the valuation.

**Actuarial Certification - continued**

I am available to provide further information or answer any questions with respect to this report.

Certified by:

Robert W. Hazy  
Robert W. Hazy, EA, FCA, MAAA  
Enrollment No. 14-4204

12/14/2015  
Date

Assisted by:

Frank M. Canonico  
Frank M. Canonico, EA, MAAA  
Enrollment No. 14-7504

12/14/2015  
Date

## **Section 1 – Participant Data and Cost Calculations**

Participant data and the calculation of plan liability as of January 1, 2015 and the recommended contribution for 2015 are shown in this section.

The recommended annual contribution has been determined under the Projected Unit Credit Cost Method, which was adopted effective with the January 1, 2012 actuarial valuation.

The Projected Unit Credit method develops two components for the annual contribution as follows:

- A Normal Cost, which is the liability for benefits to be earned in the current year by those participants who are still earning additional benefits, and
- An amortization payment toward the Unfunded Accrued Liability for past service benefits.
  - The Unfunded Accrued Liability is the liability for benefits earned to date minus plan assets
  - The Unfunded Accrued Liability is amortized over a specified period of years.

The Unfunded Accrued Liability as of January 1, 2012 is being amortized over a 10-year period from that date. Actuarial experience gains and losses and assumption changes occurring after January 1, 2012 are amortized over a 5-year period.



## Section 1 – Participant Data and Cost Calculations

### A. Basic Data

<u>Status</u>	<u>Name</u>	<u>Gender</u>	<u>Date of Birth</u>	<u>Plan Entry Date</u>	<u>End of Term in Office</u>	<u>Benefit Commencement Date</u>	<u>Monthly Benefit</u>
AA	Sarnoff, Marc D	M	12/28/1959	12/2/2006	12/1/2015	12/1/2015 a	See Exhibit B
AF	Regalado, Tomas	M	5/24/1947	9/4/1996	12/1/2017	12/1/2017 a	\$ 7,045.99
AFS	Gort, Wilfredo	M	11/9/1940	1/1/2010 b	12/1/2015 c	12/1/2015 a,c	1,329.17
TD	Sanchez, Joe M	M	4/13/1965	6/5/1998	11/9/2009	5/1/2020	6,283.28
TD	Spence-Jones, Michelle	F	8/2/1967	12/2/2005	12/1/2013	9/1/2022	10,600.88
RP	Carollo, Joe	M	3/12/1955			11/19/2001	7,071.96 d
RP	Diaz, Manuel A	M	11/5/1954			11/11/2009	6,875.00
RP	Ferre, Maurice A	M	6/23/1935			10/1/1994	326.39
RP	Gonzalez, Angel	M	10/28/1944			11/16/2009	4,794.17
RP	Plummer, J L	M	12/3/1936			11/2/1999	2,455.92

#### Count Status Description

- 1 AA Active participant, still accruing benefits
- 1 AF Active participant, benefit frozen on 10/22/2009
- 1 AFS Active participant, frozen benefit, payment suspended following return to office
- 2 TD Terminated vested participant with deferred benefit payable at age 55
- 5 e RP Retired participant, in payment status
- 10 Total number of participants

#### Other notes

- a. Assumed benefit commencement date for active participants is the later of the end of the current term in office or age 55.
- b. Date of return to office
- c. Reflects information as of 1/1/2015 valuation date. Commissioner Gort was re-elected to another 4-year term in November 2015. His new term in office and revised benefit commencement date will be recognized in the 1/1/2016 actuarial valuation.
- d. Benefit payable from EORT is limited by Internal Revenue Code Section 415. The limit applicable to the 2011 plan year was \$5,667.36. The limit applicable to the 2012 plan year was \$5,812.68. The limit applicable to the 2013 plan year was \$5,958.00. The limit applicable to the 2014 and 2015 plan year is \$6,103.31.
- e. Retired participant David Kennedy died on 9/4/2014.

## Section 1 – Participant Data and Cost Calculations

### B. Benefit Projection for Active Participants

	Marc D Sarnoff
1. Service at 1/1/2015	8.0833
2. Projected service at assumed termination date	9.0000
3. Benefit formula percentage at termination date	60%
4. Highest W-2 Pay in Last 3 Years	100,787.65
5. Projected monthly benefit = (3) x (4) ÷ 12	\$ 5,039.38

### C. Present Value of Projected Benefits

Status	Name	Age (nearest birthday) on:			Projected Monthly Benefit	Present Value of Projected Monthly Benefit
		1/1/2015 Valuation Date	Assumed Termination Date	Benefit Commence- ment Date		
AA	Sarnoff, Marc D	55	56	56	\$5,039.38	\$1,016,529
AF	Regalado, Tomas	68	71	71	7,045.99	893,956
AFS	Gort, Wilfredo	74	75	75	1,329.17	153,049
TD	Sanchez, Joe M	50		55	6,283.28	1,119,975
TD	Spence-Jones, Michelle	47		55	10,600.88	1,773,266
RP	Carollo, Joe	60			7,071.96 *	1,326,628
RP	Diaz, Manuel A	60			6,875.00	1,326,424
RP	Ferre, Maurice A	80			326.39	30,272
RP	Gonzalez, Angel	70			4,794.17	697,705
RP	Plummer, J L	78			2,455.92	253,191
	Total					\$8,590,995

\* \$6,103.31 for 2015, assumed to increase at 2.5%  
per year until reaching ultimate amount in 2021

## Section 1 – Participant Data and Cost Calculations

### D. Accrued Liability and Normal Cost

<u>Status</u>	<u>Name</u>	Present Value of Projected Monthly Benefit <i>(a)</i>	Accrued Liability = present value of benefit prorated for service <i>(b)</i>	Normal Cost for 2015 <i>(c)</i>
AA	Sarnoff, Marc D	\$ 1,016,529	\$ 912,994	\$ 103,535
AF	Regalado, Tomas	893,956	893,956	0
AFS	Gort, Wilfredo	153,049	153,049	0
TD	Sanchez, Joe M	1,119,975	1,119,975	0
TD	Spence-Jones, Michelle	1,773,266	1,773,266	0
RP	Carollo, Joe	1,326,628	1,326,628	0
RP	Diaz, Manuel A	1,326,424	1,326,424	0
RP	Ferre, Maurice A	30,272	30,272	0
RP	Gonzalez, Angel	697,705	697,705	0
RP	Plummer, J L	<u>253,191</u>	<u>253,191</u>	<u>0</u>
	Total	\$ 8,590,995	\$ 8,487,460	\$ 103,535

## Section 1 – Participant Data and Cost Calculations

### E. Contribution Calculation

Unfunded Accrued Liability as of January 1, 2015:

Accrued Liability	\$ 8,487,460
Plan Assets	<u>6,715,564</u>
Unfunded Accrued Liability	\$ 1,771,896

Contribution for 2015 Plan Year:

Normal Cost:

Benefit cost	\$ 103,535
Estimated expenses for 2015	<u>2,400</u>
Total Normal Cost	\$ 105,935

Amortization of Unfunded Accrued

Liability - see Exhibit F 346,547

City contribution if paid on January 1, 2015 \$ 452,482

Interest at 3.75% to December 31, 2015 16,968

City contribution if paid on December 31, 2015 \$ 469,450

The interest adjustment should reflect elapsed time between January 1, 2015 and the date of the contribution.

### F. Amortization of Unfunded Accrued Liability

The unfunded accrued liability is amortized by level annual payments in accordance with the schedule below:

Unfunded accrued liability as of January 1, 2012 10 years

Changes in unfunded accrued liability after January 1, 2012:

Actuarial experience gains or losses 5 years

Actuarial assumption changes 5 years

Amortization payments for 2015 are shown in the table below.

Type of Base	Amortization Period			Balances		Amortization Payment at Jan. 1, 2015
	Date Created	Initial Years	Years Left	Initial	Outstanding at Jan. 1, 2015	
Initial Unfunded	1/1/2012	10	7	\$ 1,558,360	\$ 1,149,473	\$ 182,890
Actuarial Loss	1/1/2013	5	3	148,007	92,051	31,820
Assumption Change	1/1/2013	5	3	210,124	130,684	45,175
Actuarial Loss	1/1/2014	5	4	18,374	14,965	3,950
Actuarial Loss	1/1/2015	5	5	156,317	156,317	33,607
Assumption Change	1/1/2015	5	5	228,406	<u>228,406</u>	<u>49,105</u>
<b>Total</b>					<b>\$ 1,771,896</b>	<b>\$ 346,547</b>

## **Section 2 – Information Required by Florida Statute, Chapter 112**

The “Florida Protection of Public Employee Retirement Benefits Act” is set forth in Part VII of Chapter 112 of the Florida Statutes (sections 112.60 through 112.67). Section 112.63 requires each retirement system to have a regularly scheduled actuarial report and sets forth the information required for each actuarial report.

Chapter 60T-1 of the Florida Administrative Code sets forth rules under which municipal and special district units of government are to provide information on their retirement systems to the Division of Retirement (Bureau of Program Services) pursuant to Part VII of Chapter 112 of the Florida Statutes. Specific exhibits are described in subsection 1.003. Required information is shown in this section.

Additional disclosure information that is required under Section 112.664 will be provided in separate correspondence.

	Actuarial valuation prepared as of:	
	1/1/2015	1/1/2014
<b>1. Participant Data</b>		
a. Active members (earning future benefits):		
i. Number	1	1
ii. Total annual payroll on which benefits are based	\$ 100,788	\$ 103,194
iii. Average annual pay on which benefits are based	\$ 100,788	\$ 103,194
b. Retired members and beneficiaries (other than disabled):		
i. Number	5	6
ii. Total annualized benefit (without regard to IRC Section 415 limit)	\$ 258,281	\$ 261,135
c. Disabled members receiving benefits:		
i. Number	0	0
ii. Total annualized benefit	\$ 0	\$ 0
d. Terminated vested members and active members with frozen benefits		
i. Number	4	4
ii. Total annualized benefit	\$ 303,112	\$ 303,112
<b>2. Assets</b>		
a. Actuarial value of assets	\$ 6,715,564	\$ 6,526,196
b. Market value of assets	\$ 6,715,564	\$ 6,526,196

## Section 2 – Information Required by Florida Statute, Chapter 112

	Actuarial valuation prepared as of:	
	1/1/2015	1/1/2014
<b>3. Liabilities</b>		
a. Present value of all future expected benefit payments:		
i. Active members		
- Retirement benefits	\$ 1,016,529	\$ 989,735
- Vesting benefits	0	0
- Disability benefits	0	0
- Death benefits	0	0
- Return of contributions	0	0
- Total	\$ 1,016,529	\$ 989,735
ii. Terminated vested members and active members with frozen benefits	\$ 3,940,246	\$ 3,662,820
iii. Retired members and beneficiaries:		
- Retired (other than disabled) and beneficiaries	\$ 3,634,220	\$ 3,685,287
- Disabled members	0	0
- Total	\$ 3,634,220	\$ 3,685,287
iv. Total present value of all future expected benefit payments	\$ 8,590,995	\$ 8,337,842
b. Actuarial accrued liability	\$ 8,487,460	\$ 8,127,065
c. Unfunded actuarial accrued liability = (3b) - (2a)	\$ 1,771,896	\$ 1,600,869
<b>4. Pension Cost</b>		
a. Normal cost at valuation date		
i. Benefit cost	\$ 103,535	\$ 109,971
ii. Estimated expenses	2,400	2,400
iii. Total normal cost	\$ 105,935	\$ 112,371
b. Amortization of unfunded accrued liability See amortization schedule in Section 1, Exhibit F	346,547	263,835
c. Total required contribution	\$ 452,482	\$ 376,206
- as a percentage of payroll	448.95%	364.56%
d. Amount to be contributed by members	n/a	n/a
- as a percentage of payroll	n/a	n/a
e. Amount to be contributed by City	\$ 452,482	\$ 376,206
- as a percentage of payroll	448.95%	364.56%

**Section 2 – Information Required by Florida Statute, Chapter 112**

**5. Past Contributions**

	Plan Year		
	2015	2014	2013
a. Required contribution (if paid on January 1)	\$ 452,482	\$ 376,209	\$ 549,733
b. Actual contribution made by City	to be determined	\$ 390,639	\$ 551,222

**6. Other Disclosures**

	Actuarial valuation prepared as of:	
	1/1/2015	1/1/2014
	a. Present value of active members':	
i. Future salaries:		
- at attained age	\$ 100,788	\$ 197,932
- at entry age	n/a	n/a
ii. Future contributions	\$ 0	\$ 0
b. Present value of future City contributions	\$ 1,875,431	\$ 1,811,646
c. Present value of future expected benefit payments for active members at entry age	n/a	n/a
d. Amount of active and inactive members' accumulated contributions	\$ 0	\$ 0

**Section 2 – Information Required by Florida Statute, Chapter 112**

	<u>Asset measurement date:</u>	
	<u>12/31/2014</u>	<u>12/31/2013</u>
<b>7. Statement of Assets as of Valuation Date</b>		
a. Market value:		
i. Cash	\$ 1,092,077	\$ 742,828
ii. Bonds	5,228,153	5,227,453
iii. Contributions receivable	390,639	551,222
iv. Other receivables (accrued income)	4,695	4,693
v. Benefits payable	<u>0</u>	<u>0</u>
vi. Total	\$ 6,715,564	\$ 6,526,196
b. Statement value:		
i. Cash	\$ 1,092,077	\$ 742,828
ii. Bonds	<u>5,247,845</u>	<u>5,247,844</u>
iii. Total	\$ 6,339,922	\$ 5,990,672

The actuarial value is set equal to the market value of assets.  
 Asset figures were provided by the City.

**8. Plan Asset Reconciliation**

a. Market value of assets as of December 31, 2013	\$ 6,526,196
b. Income:	
i. Employer contributions for 2014 plan year (including receivables)	\$ 390,639
ii. Interest and dividends	61,087
iii. Realized gain or (loss)	0
iv. Unrealized gain or (loss)	702
v. Other income	<u>0</u>
vi. Total income	\$ 452,428
c. Disbursements:	
i. Regular benefit payments (including benefits receivable)	\$ (260,660)
ii. Other benefit payments	0
iii. Investment expenses	0
iv. Administrative expenses	<u>(2,400)</u>
v. Total disbursements	\$ (263,060)
d. Market value of assets as of December 31, 2014	\$ 6,715,564



**Section 2 – Information Required by Florida Statute, Chapter 112**

**9. Plan Experience Review**

a. Salary scale:	
i. Assumed annual salary increases	0.00%
ii. Actual salary increases:	
- 2014	-0.10%
- 2013	-1.85%
- 2012	-38.35%
b. Investment return:	
i. Assumed rate of return on assets	3.75%
ii. Actual rate of return on assets	
- 2014	0.93%
- 2013	-0.36%
- 2012	1.88%

**10. Statement of Actuarial Present Value of Accrued Benefits**

	Actuarial valuation date:	
	1/1/2015	1/1/2014
a. Vested accrued benefits		
i. Active participants	\$ 912,994	\$ 778,958
ii. Inactive participants receiving benefits	3,634,220	3,685,287
iii. Terminated vested and actives with frozen benefits	<u>3,940,246</u>	<u>3,662,820</u>
iv. Total value of all vested accrued benefits	\$ 8,487,460	\$ 8,127,065
b. Non-vested accrued benefits	<u>0</u>	<u>0</u>
c. Total actuarial present value of all accrued benefits	\$ 8,487,460	\$ 8,127,065

**11. Statement of Changes in Total Actuarial Present Value of Accrued Benefits**

a. Actuarial present value of accrued benefits at beginning of year	\$ 8,127,065
b. Increase or (decrease) during the year attributable to:	
i. Increase for interest and probability of payment due to decrease in discount period and benefits accrued	\$ 424,939
ii. Benefits paid	(260,660)
iii. Assumption changes	228,406
iv. Plan changes	0
v. (Gains) or losses	<u>(32,290)</u>
vi. Net increase or (decrease)	\$ 360,395
c. Actuarial present value of accrued benefits at end of year	\$ 8,487,460

## **Section 3 – Actuarial Assumptions and Methods**

Actuarial assumptions are used to determine the present value of expected benefit payments from the Plan. The actuarial cost method is used to determine an annual contribution to fund the value of expected benefits that is in excess of current assets. Actuarial assumptions and the cost method are selected by the City, in consultation with the actuary. The assumptions, cost method and other calculation methods are described below.

### **A. Actuarial Assumptions**

#### **Interest Rate**

3.75% compounded annually, net of any investment expenses.

The interest assumption reflects the expected long-term rate of return on the trust assets. Trust investments are restricted to primarily fixed income investments, in accordance with Section 40-294(c) of the Plan. The interest assumption was most recently revised in 2009.

#### **Salary Increases**

No future salary increases are assumed for current office holders.

#### **Mortality Rate After Commencement of Monthly Benefits**

RP-2000 Mortality Table, sex-distinct, rates for annuitants, adjusted for white-collar employees, and with fully-generational mortality improvement projected under Scale BB2D.

For the prior valuation, RP-2000 Mortality Table, sex-distinct, combined rates for annuitants and non-annuitants, adjusted for white-collar employees, and with mortality improvement projected to 2031 by Scale AA.

The assumption change was made to reflect updated factors for future mortality improvement. This includes the use of a fully-generational improvement projection, which is based on each participant's year of birth, rather than a fixed-year projection applied to all participants.

#### **Mortality Rate Prior to Commencement of Monthly Benefits**

No mortality is assumed for years prior to the expected commencement date for monthly benefits. This assumption is consistent the Plan's pre-retirement death benefit, which provides a lump sum payment equal to the present value of the participant's accrued benefit for death prior to retirement.

## **Section 3 – Actuarial Assumptions and Methods**

### **Termination of Employment**

Termination of covered employment for each participant currently in office is assumed to occur at the end of the current term of office, provided that the participant will have enough service for full vesting under the Plan.

Each of the three current office holders will have more than 7 years of service, and therefore, be vested, at the end of their current terms of office.

### **Commencement of Benefits**

Payment of monthly lifetime benefits for current office holders is assumed to occur at the later of the assumed employment termination date or attainment of age 55. Age 55 is the minimum age for benefit commencement under the Plan.

### **Increase to Legal Benefit Limits**

The limit applicable to benefits that can be paid from a qualified retirement trust as described in Section 415(b) of the Internal Revenue Code is assumed to be indexed, with annual increases of 2.5% after 2015.

### **Estimated Expenses**

Estimated administrative expenses paid from the trust have been added to the normal cost. Estimated expenses for 2015 are equal to actual expenses paid in the previous year.

### **Prescribed Assumptions**

Effective January 1, 2016, Florida Statutes Section 112.63(1)(f) requires covered plans to use the mortality tables and methodology employed by the Florida Retirement System (FRS) in one of its two most recently published actuarial valuation reports.

The revised mortality assumption used for the January 1, 2015 EORT actuarial valuation reflects the mortality assumption as described in the July 1, 2014 Actuarial Valuation Report for FRS.

## **Section 3 – Actuarial Assumptions and Methods**

### **B. Actuarial Cost Method**

Effective with the January 1, 2012 valuation, the City's annual contribution is determined using the Projected Unit Credit Cost Method.

The Projected Unit Credit method develops two components for the annual contribution:

- A Normal Cost, which is the present value for benefits to be earned in the current year (reflecting one additional year of service and compensation projected to the assumed retirement date) for those participants who are still earning additional benefits, and
- An amortization payment toward the Unfunded Accrued Liability for past service benefits.
  - The Accrued Liability is the present value for benefits based on service earned to date and compensation projected to the assumed retirement date.
  - The Unfunded Accrued Liability is the Accrued Liability *minus* Plan Assets.
  - The Unfunded Accrued Liability is amortized over a specified period of years.

The Unfunded Accrued Liability is amortized in accordance with the following schedule:

- Unfunded Accrued Liability as of January 1, 2012: 10 years
- Changes in Unfunded Accrued Liability occurring after January 1, 2012:
  - Actuarial experience gains or losses: 5 years
  - Changes in actuarial assumptions: 5 years

Please note that, since the salary increase assumption for active participants is 0%, the Accrued Liability is equal to the present value of accrued benefits and the Normal Cost is equal to present value of the increase in accrued benefits expected for active participants during the current plan year.

The annual contribution is calculated as payable on the first day of the plan year. Interest at the assumed annual rate of 3.75% should be added for payment at a later date.

## **Section 3 – Actuarial Assumptions and Methods**

### **C. Asset Valuation Method**

The value of assets used for contribution determination is the market value of assets on the valuation date, with contributions receivable for the prior plan year added, benefits payable for the prior plan year subtracted, and accrued income or other payable amounts added or subtracted.

Plan asset values at December 31, 2014, asset transaction information for 2014, and receivable amounts as of December 31, 2014 were provided to us by the City.

## **Section 4 – Summary of Plan Provisions**

Key plan provisions used for actuarial funding calculations are summarized below. This summary should not be relied on for the determination of individual participants' benefits. The legal ordinance or plan document will govern in all cases.

### **Plan Name**

City of Miami Elected Officers' Retirement Trust ("EORT")

### **Plan Eligibility**

Elected Officers of the City are covered under this Plan. Elected Officer is defined to be the Mayor or a Commissioner.

Officers first elected after October 22, 2009 are not eligible to participate in the Plan.

### **Contributions**

All contributions are paid by the City. No participant contributions are required.

### **Service**

Years served in the capacity of an Elected Officer are counted as Service under this Plan.

### **Benefit Amount**

For a participant with 7 or more years of Service, an annual benefit of:

- 50% of Compensation
- + 5% of Compensation for each year of Service in excess of 7 years

The maximum benefit is 100% of Compensation.

Compensation for benefit calculation purposes is the highest W-2 wage amount during the last three years of the participant's term of office.

Benefits were frozen effective October 22, 2009 for Elected Officers who were vested on that date (that is, officers who had 7 or more years of Service). The Elected Officers who were active participants but had not attained vesting as of October 22, 2009 continue to earn benefits in accordance with the formula above.

The Plan benefit is payable beginning on the date the participant ceases to be an Elected Officer, but no earlier than the participant's 55<sup>th</sup> birthday. The benefit is payable monthly, for the participant's lifetime.

## **Section 4 – Summary of Plan Provisions**

### **Vesting**

Seven years of Service is required for vesting for participants in office or elected between October 1, 2001 and October 22, 2009.

The vesting requirement for a participant whose term of office ended prior to October 1, 2001 was ten years of Service.

### **Pre-Retirement Death Benefit**

A death will be payable on behalf of a participant who dies either:

- While in office, without regard to vesting status, or
- After termination of employment with vesting, if prior to the date of commencement for monthly benefit payments

The benefit amount is the lump sum value of the participant's accrued benefit. The lump sum value will be determined using the interest and mortality assumptions used for the most recent actuarial valuation for the Plan.

For a participant with less than 7 years of Service, the accrued benefit will be:

$$50\% \text{ of Compensation} \times \text{Service at date of death} \div 7$$

### **Form of Payment**

Single life annuity is the only permitted form of payment.

There is no post-retirement death benefit.

### **Legal Maximum for Benefit Payments**

Section 415 of the Internal Revenue Code imposes a limit on the amount of the monthly benefit that can be paid to an individual participant from a qualified retirement plan. The EORT includes provisions for the payment of benefits that exceed Internal Revenue Code limits. Such payments are to be made from the City's General Fund.