

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

Actuarial Valuation Report

January 1, 2013

Contents

Highlights	1
Principal Valuation Results	3
Actuarial Certification	4
Section 1 Participant Data and Cost Calculations.....	6
Section 2 Information Required by Florida Statute, Chapter 112	11
Section 3 Actuarial Assumptions and Methods.....	16
Section 4 Summary of Plan Provisions	20

Highlights

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

- Present the results of a valuation of the City of Miami Elected Officers' Retirement Trust ("EORT") as of January 1, 2013
- Provide a recommended employer contribution amount for the 2013 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>2013</u>	<u>2012</u>
Contribution if paid on:		
January 1	\$ 549,733	\$ 471,049
December 31 (3.75% interest added)	\$ 570,348	\$ 488,713

The 2013 contribution of \$570,348 at December 31, 2013 is approximately \$81,600 higher than the comparable 2012 amount. Changes are attributable to the following items:

Expected change due to passage of time	\$ (5,600)
Asset return of 1.88% for 2012, as compared to 3.75% assumed return	24,100
Actuarial mortality loss (No participants died in 2012)	5,500
Benefit payments exceeding expected amount for 2012	3,400
Mortality assumption change	51,700
Addition of estimated expense to normal cost	<u>2,500</u>
Net increase or (decrease) to contribution	\$ 81,600

Mortality Experience

There is an actuarial loss attributable to mortality experience because no retirees died during the year. The current retiree group is subject to an expected mortality rate of roughly 1% each year.

Highlights - continued

Assumption Change

The mortality assumption includes an “improvement” component, which recognizes that age-specific mortality rates are expected to decrease in connection with future medical advances. In prior valuations this was recognized by use of the RP-2000 Mortality Table, with mortality improvement projected from the 2000 base year to 2018.

The improvement projection has been changed from 2018 to 2031. The later projection approximates the time-weighted duration of benefit payments for the plan.

Estimated Expenses

Estimated administrative expense to be paid from the plan trust in 2013 has been added to the normal cost component of the contribution calculation. This change was requested by the actuary for the State of Florida Division of Retirement who reviewed the prior valuation.

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.

Principal Valuation Results

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

	Actuarial Valuation as of January 1:	
	2013	2012
<u>Plan Participants</u>		
Active, earning future benefits	2	2
Active, with frozen benefit	1	1
Active, payment suspended due to return to office	1	1
Terminated, with deferred benefit	1	1
Retired, benefit in payment status	6	6
Total	11	11
<u>Funding Valuation</u>		
Present Value of Projected Benefits	\$ 8,537,074	\$ 8,235,051
Value of Plan Assets	6,258,402	5,922,119
Present Value of Future City Contributions	\$ 2,278,672	\$ 2,312,932
 Recommended Contribution for Plan Year <i>using Projected Unit Credit funding method:</i>		
If paid on valuation date	\$ 549,733	\$ 471,049
If paid 12 months after valuation date (3.75% interest added)	\$ 570,348	\$ 488,713
 <u>Participant Statistics</u>		
Average Age:		
Active participants earning future benefits	49.2	48.2
Active participants with frozen or suspended benefits	68.9	67.9
Terminated participant with deferred benefit	47.7	46.7
Retired participants in payment status	69.4	68.4
 Average Monthly Benefit:		
Active participants earning future benefits (projected)	\$ 7,917	\$ 7,917
Active participants with frozen or suspended benefits	4,188	4,188
Terminated participant with deferred benefit	6,283	6,283
Retired participants in payment status	3,627	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, 2013 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 prior actuary. 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.

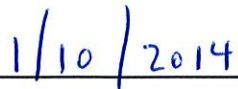
Actuarial Certification - continued

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

Certified by:



Robert W. Hazy, EA, MAAA
Enrollment No. 11-4204




Date

Assisted by:



Frank M. Canonico, EA, MAAA
Enrollment No. 11-7504



Date

Section 1 – Participant Data and Cost Calculations

Participant data and the calculation of plan liability as of January 1, 2013 and the recommended contribution for 2013 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
AA	Spence-Jones, Michelle	F	8/2/1967	12/2/2005	12/1/2013	9/1/2022 ^a	See Exhibit B
AF	Regalado, Tomas	M	5/24/1947	9/4/1996	12/1/2013 ^b	12/1/2013 ^{a,b}	\$7,045.99
AFS	Gort, Wilfredo	M	11/9/1940	1/1/2010 ^c	12/1/2015	12/1/2015 ^a	1,329.17
TD	Sanchez, Joe M	M	4/13/1965	6/5/1998	11/9/2009	5/1/2020	6,283.28
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	Kennedy, David T	M	4/7/1934			10/1/1994	237.85
RP	Plummer, J L	M	12/3/1936			11/2/1999	2,455.92

Count Status Description

2	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
1	TD	Terminated vested participant with deferred benefit payable at age 55
<u>6</u>	RP	Retired participant, in payment status
11		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. Reflects information as of 1/1/2013 valuation date. Mayor Regalado was re-elected to another 4-year term in November 2013. His new term in office and revised benefit commencement date will be recognized in the 1/1/2014 actuarial valuation.
- c. Date of return to office
- 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 is \$5,958.00.

Section 1 – Participant Data and Cost Calculations

B. Benefit Projection for Active Participants

	<u>Marc D Sarnoff</u>	<u>Michelle Spence-Jones</u>
1. Service at 1/1/2013	6.0833	7.0833
2. Projected service at assumed termination date	9.0000	8.0000
3. Benefit formula percentage at termination date	60%	55%
4. Highest W-2 Pay in Last 3 Years	\$ 104,660	\$ 231,292
5. Projected monthly benefit = (3) x (4) ÷ 12	\$ 5,233.00	\$ 10,600.88

C. Present Value of Projected Benefits

Status	Name	Age (nearest birthday) on:			Projected Monthly Benefit	Present Value of Projected Monthly Benefit
		1/1/2013 Valuation Date	Assumed Termination Date	Benefit Commence- ment Date		
AA	Sarnoff, Marc D	53	56	56	\$5,233.00	\$ 967,510
AA	Spence-Jones, Michelle	45	46	55	10,600.88	1,570,447
AF	Regalado, Tomas	66	67	67	7,045.99	1,065,328
AFS	Gort, Wilfredo	72	75	75	1,329.17	137,061
TD	Sanchez, Joe M	48		55	6,283.28	1,021,884
RP	Carollo, Joe	58			7,071.96 *	1,359,177
RP	Diaz, Manuel A	58			6,875.00	1,363,006
RP	Ferre, Maurice A	78			326.39	32,281
RP	Gonzalez, Angel	68			4,794.17	728,610
RP	Kennedy, David T	79			237.85	22,264
RP	Plummer, J L	76			2,455.92	<u>269,506</u>
	Total					<u>\$8,537,074</u>

* \$5,958.00 for 2013, assumed to increase at 2.5%
per year until reaching ultimate amount in 2020

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 2013 <i>(c)</i>
AA	Sarnoff, Marc D	\$ 967,510	\$ 653,965	\$ 107,501
AA	Spence-Jones, Michelle	1,570,447	1,390,500	179,947
AF	Regalado, Tomas	1,065,328	1,065,328	0
AFS	Gort, Wilfredo	137,061	137,061	0
TD	Sanchez, Joe M	1,021,884	1,021,884	0
RP	Carollo, Joe	1,359,177	1,359,177	0
RP	Diaz, Manuel A	1,363,006	1,363,006	0
RP	Ferre, Maurice A	32,281	32,281	0
RP	Gonzalez, Angel	728,610	728,610	0
RP	Kennedy, David T	22,264	22,264	0
RP	Plummer, J L	<u>269,506</u>	<u>269,506</u>	<u>0</u>
	Total	\$ 8,537,074	\$ 8,043,583	\$ 287,448

Section 1 – Participant Data and Cost Calculations

E. Contribution Calculation

Unfunded Accrued Liability as of January 1, 2013:

Accrued Liability	\$ 8,043,583
Plan Assets	<u>6,258,402</u>
Unfunded Accrued Liability	\$ 1,785,181

Contribution for 2013 Plan Year:

Normal Cost:	
Benefit cost	\$ 287,448
Estimated expenses for 2013	<u>2,400</u>
Total Normal Cost	\$ 289,848
Amortization of Unfunded Accrued Liability - see Exhibit F	<u>259,885</u>
City contribution if paid on January 1, 2013	\$ 549,733
Interest at 3.75% to December 31, 2013	<u>20,615</u>
City contribution if paid on December 31, 2013	\$ 570,348

The interest adjustment should reflect elapsed time between January 1, 2013 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 2013 are shown in the table below.

Type of Base	Amortization Period			Balances		Amortization Payment at Jan. 1, 2013
	Date Created	Initial Years	Years Left	Initial	Outstanding at Jan. 1, 2013	
Initial Unfunded	1/1/2012	10	9	\$ 1,558,360	\$ 1,427,050	\$ 182,890
Actuarial Loss	1/1/2013	5	5	148,007	148,007	31,820
Assumption Change	1/1/2013	5	5	210,124	<u>210,124</u>	<u>45,175</u>
Total					\$ 1,785,181	\$ 259,885

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.

	Actuarial valuation prepared as of:	
	1/1/2013	1/1/2012
1. Participant Data		
a. Active members (earning future benefits):		
i. Number	2	2
ii. Total annual payroll on which benefits are based	\$ 335,952	\$ 335,952
iii. Average annual pay on which benefits are based	\$ 167,976	\$ 167,976
b. Retired members and beneficiaries (other than disabled):		
i. Number	6	6
ii. Total annualized benefit (without regard to IRC Section 415 limit)	\$ 261,135	\$ 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	3	3
ii. Total annualized benefit	\$ 175,901	\$ 175,901
2. Assets		
a. Actuarial value of assets	\$ 6,258,402	\$ 5,922,119
b. Market value of assets	\$ 6,258,402	\$ 5,922,119

Section 2 – Information Required by Florida Statute, Chapter 112

	Actuarial valuation prepared as of:	
	<u>1/1/2013</u>	<u>1/1/2012</u>
3. Liabilities		
a. Present value of all future expected benefit payments:		
i. Active members		
- Retirement benefits	\$ 2,537,957	\$ 2,406,404
- Vesting benefits	0	0
- Disability benefits	0	0
- Death benefits	0	0
- Return of contributions	0	0
- Total	<u>\$ 2,537,957</u>	<u>\$ 2,406,404</u>
ii. Terminated vested members and active members with frozen benefits	\$ 2,224,273	\$ 2,079,873
iii. Retired members and beneficiaries:		
- Retired (other than disabled) and beneficiaries	\$ 3,774,844	\$ 3,749,401
- Disabled members	0	0
- Total	<u>\$ 3,774,844</u>	<u>\$ 3,749,401</u>
iv. Total present value of all future expected benefit payments	\$ 8,537,074	\$ 8,235,678
b. Actuarial accrued liability	\$ 8,043,583	\$ 7,480,479
c. Unfunded actuarial accrued liability = (3b) - (2a)	\$ 1,785,181	\$ 1,558,360
4. Pension Cost		
a. Normal cost at valuation date		
i. Benefit cost	\$ 287,448	\$ 288,159
ii. Estimated expenses	2,400	0
iii. Total normal cost	<u>\$ 289,848</u>	<u>\$ 288,159</u>
b. Amortization of unfunded accrued liability See amortization schedule in Section 1, Exhibit F	<u>259,885</u>	<u>182,890</u>
c. Total required contribution	\$ 549,733	\$ 471,049
- as a percentage of payroll	163.63%	140.21%
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	\$ 549,733	\$ 471,049
- as a percentage of payroll	163.63%	140.21%

Section 2 – Information Required by Florida Statute, Chapter 112

5. Past Contributions

	Plan Year		
	2013	2012	2011
a. Required contribution (if paid on January 1)	\$ 549,733	\$ 471,049	\$ 545,785
b. Actual contribution made by City	to be determined	\$ 488,713	\$ 566,252

6. Other Disclosures

	Actuarial valuation prepared as of:	
	1/1/2013	1/1/2012
a. Present value of active members':		
i. Future salaries:		
- at attained age	\$ 400,580	\$ 602,102
- at entry age	n/a	n/a
ii. Future contributions	\$ 0	\$ 0
b. Present value of future City contributions	\$ 2,278,672	\$ 2,312,932
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>12/31/2012</u>	<u>12/31/2011</u>
7. Statement of Assets as of Valuation Date		
a. Market value:		
i. Cash	\$ 945,634	\$ 2,616,522
ii. Bonds	5,308,074	2,734,006
iii. Contributions receivable	0	566,252
iv. Other receivables (accrued income)	4,694	5,339
v. Benefits payable	<u>0</u>	<u>0</u>
vi. Total	\$ 6,258,402	\$ 5,922,119
b. Statement value:		
i. Cash	\$ 945,634	\$ 2,616,522
ii. Bonds	<u>5,247,844</u>	<u>2,728,336</u>
iii. Total	\$ 6,193,478	\$ 5,344,858

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, 2011	\$ 5,922,119
b. Income:	
i. Employer contributions for 2012 plan year (including receivables)	\$ 488,713
ii. Interest and dividends	56,545
iii. Realized gain or (loss)	0
iv. Unrealized gain or (loss)	54,560
v. Other income	<u>0</u>
vi. Total income	\$ 599,818
c. Disbursements:	
i. Regular benefit payments (including benefits receivable)	\$ (261,135)
ii. Other benefit payments	0
iii. Investment expenses	0
iv. Administrative expenses	<u>(2,400)</u>
v. Total disbursements	\$ (263,535)
d. Market value of assets as of December 31, 2012	\$ 6,258,402

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:	
- 2012	-38.35%
- 2011	60.54%
- 2010	0.00%
b. Investment return:	
i. Assumed rate of return on assets	3.75%
ii. Actual rate of return on assets	
- 2012	1.88%
- 2011	2.22%
- 2010	0.00%

10. Statement of Actuarial Present Value of Accrued Benefits

	Actuarial valuation date:	
	1/1/2013	1/2/2012
a. Vested accrued benefits		
i. Active participants	\$ 1,390,500	\$ 0
ii. Inactive participants receiving benefits	3,774,844	3,749,401
iii. Terminated vested and actives with frozen benefits	<u>2,224,273</u>	<u>2,079,246</u>
iv. Total value of all vested accrued benefits	\$ 7,389,617	\$ 5,828,647
b. Non-vested accrued benefits	<u>653,965</u>	<u>1,651,832</u>
c. Total actuarial present value of all accrued benefits	\$ 8,043,583	\$ 7,480,479

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

a. Actuarial present value of accrued benefits at beginning of year	\$ 7,480,479
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	\$ 466,108
ii. Benefits paid	(261,135)
iii. Assumption changes	210,124
iv. Plan changes	0
v. (Gains) or losses	<u>148,007</u>
vi. Net increase or (decrease)	\$ 563,104
c. Actuarial present value of accrued benefits at end of year	\$ 8,043,583

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. For the previous valuation, the return was assumed to be net of all expenses. Beginning with the current valuation, estimated administrative expense has been added to the normal cost.

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, combined rates for annuitants and non-annuitants, adjusted for white-collar employees, and with mortality improvement projected to 2031 by Scale AA. For the previous valuation, mortality improvement was projected to 2018.

The revised improvement projection approximates the time-weighted duration of benefit payments for the plan.

Mortality rates at sample ages are shown below.

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	0.18%	0.20%
60	0.34	0.40
65	0.71	0.74
70	1.21	1.30
75	2.17	2.00
80	4.35	3.47
85	8.42	6.16
90	15.74	11.49

Section 3 – Actuarial Assumptions and Methods

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 with 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.

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 four 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 2013.

Estimated Expenses

Estimated administrative expenses paid from the trust have been added to the normal cost. Estimated expenses for 2013 are equal to actual expenses paid in the previous year.

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, 2012 and asset transaction information for 2012 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 55th 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.