SECTION 3

ANALYSIS OF VALUATION RESULTS

A comparison of the 2002 and 2004 valuation results is presented in the table on page 3-4.

Discussion of Valuation Results

There have been no changes in Plan provisions since the 2002 valuation.

Actuarial assumptions have been changed to update the mortality rates from the 1983 Group Annuity Mortality Table to the RP-2000 Mortality Table, with separate rates for regular and disabled lives.

The actuarial cost method has been changed from the Aggregate Entry Age to the Individual Entry Age due to a recent IRS ruling. This change has no impact on plan liabilities but does increase the current allocations of those liabilities to current normal cost amounts.

The asset averaging method was changed to a five-year smoothing of expected to actual returns, applied prospectively from October 1, 2004.

A summary of current Plan provisions is included in Appendix A. Actuarial assumptions and cost method are summarized in Appendix B, along with explanations of other valuation procedures.

If the participating group remained unchanged and all the actuarial assumptions were realized, the Plan's experience would be as anticipated, and there would be no actuarial gain or loss. If the experience were less favorable than anticipated, an actuarial loss would result; if more favorable, an actuarial gain would result.

For the 24 months ended September 30, 2004, the actual experience under the Plan, in aggregate, was less favorable than expected, resulting in a net actuarial loss of approximately $8.2 million. This loss is primarily the result of investment returns (measured on actuarial value of assets) lower than the 9.25% valuation assumption, producing a loss of approximately $4.3 million, and salary increase rates higher than assumed, resulting in a loss of approximately $2.3 million.

Future valuations will monitor the Plan's experience to determine whether actuarial gains or losses have occurred since the previous valuation. Recognition of these actuarial gains or losses will be made through adjustments to the UAAL and amortized over the same period as used for the pre-adjusted UAAL.

It should be noted that the true costs of a retirement plan cannot be determined until its future unfolds. No one can precisely predict the interest earnings on fund assets, member termination rates, future salary levels, mortality experience, etc. Estimates based on experience with similar groups, along with the judgment of the actuary and the Plan sponsor, can provide a reasonable approximation of this true cost. As actual experience emerges under the Plan, it will be necessary to study the continued appropriateness of the techniques and assumptions employed and to adjust the contribution rate as necessary.

Valuation Comparison Table

1. Member Data		10/1/02 After Assumption Changes	10/1/04 Before Assumption Changes	10/1/04 After Assumption Changes
(a) Active Members Under NRA		1,358	1,512	1,512
(b) Active Members Over NRA (included above)		-	-	-
(c) DROP Retirees		78	66	66
(d) Retirees, Beneficiaries and Disableds		564	623	623
(e) Vested Terminated and Limited Members		235	278	278
(f) Total Anticipated Payroll for Next 12 Months		$ 52,321,455	$ 67,644,914	$ 67,705,700
(g) Actuarial Present Value (APV) of Future Valuation Payroll		437,312,148	548,783,796	554,314,296
(h) Total Annual Benefit Payments		8,431,140	9,985,944	9,985,944
2. Assets				
(a) Market Value		129,754,633	230,623,817	230,623,817
(b) Actuarial Value		152,896,547	222,092,016	230,623,817
3. Liabilities				
(a) APV of Future Benefits				
(1) Active Members Under NRA				
--Retirement		104,646,472	139,799,276	145,614,133
--Withdrawal		1,933,089	2,540,948	2,612,173
--Disability		954,354	1,310,439	1,356,004
--Death		1,234,431	1,645,881	1,223,558
--Refund of Contributions		2,039,931	2,483,874	2,377,085
--Total		$ 110,808,277	$ 147,780,418	$ 153,182,953
(2) Active Members Over NRA (included above)		-	-	-
(3) DROP Retirees		26,086,694	21,552,019	21,675,036
(4) Retirees and Beneficiaries		83,394,512	99,142,862	99,911,912
(5) Disabled Members (included in Vested Terminated)		-	-	-
(6) Vested Terminated and Limited Members		2,500,263	2,839,248	2,918,125
(7) Total		$ 222,789,746	$ 271,314,547	$ 277,688,026
(b) APV of Vested Accrued Benefits		161,709,544	192,830,626	195,107,014
(c) APV of All Accrued Benefits		162,321,819	193,590,831	195,890,805
(d) Actuarial Accrued Liability (AAL)		191,220,663	232,146,497	236,585,409
(e) Unfunded AAL (UAAL)		38,324,116	10,054,481	5,961,592
4. Contribution Requirements* for Year Ended	**09/30/04**	**09/30/05**	**09/30/06**	**09/30/06**
(a) Plan Normal Cost**	$ 4,296,735	$ 4,511,572	$ 5,441,158	$ 5,821,168
(b) Amortization Payment	2,480,049	2,604,051	265,960	226,359
(c) Total Plan Requirements*	$ 6,776,784	$ 7,115,623	$ 5,707,118	$ 6,047,527
(d) Estimated Member Contributions	2,746,876	2,884,220	3,551,358	3,554,549
(e) Total City Requirements*	4,029,908	4,231,403	2,155,760	2,492,978
(f) Total City Requirement Adjusted to End of Year***	4,198,031	4,407,933	2,245,697	2,596,982
5. Past Contributions for Year Ended	**9/30/2003**	**9/30/2004**		
(a) (1) Contribution Required by City	$ 2,486,728	$ 4,029,908		
(2) Contribution Required by Members	2,751,949	2,746,876		
(3) Total Contribution Requirements	$ 5,238,677	$ 6,776,784		
(b) (1) Actual City Contributions Paid	40,889,037	2,012,444		
(2) Actual Member Contributions Paid	11,802,522	4,826,419		
(3) Total Contributions Paid	$ 52,691,559	$ 6,838,863		
(c) (1) Actual City Contribution Interest Adjusted to End of Year	42,738,336	2,103,461		
(2) Actual Member Contribution w/Interest Adjusted to End of Year	12,336,318	5,044,705		
(3) Total Contributions with Interest Adjusted to End of Year	$ 55,074,654	$ 7,148,166		

* Assumed payable at the end of each month as determined from prior actuarial valuation. Includes a payroll growth rate of 5%.

** Includes expense normal cost.

*** Includes interest adjustments at the valuation interest rate on amounts to end of year.

Effect of Amortization Policy on Contribution Requirements

In determining the contribution rate for the UAAL, it has been assumed that total member payroll will grow at the rate of 5% per year. Since an increasing payroll is assumed for determining liabilities, it could be considered inconsistent not to make a similar assumption for amortizing such liabilities.

The following table illustrates the amortization of the UAAL in accordance with the adopted level-percentage-of-increasing-payroll approach:

End of Year	UAAL Balance
2004-2005	$ 3,819,373
2005-2006	3,935,203
2006-2007	4,049,875
2007-2008	4,162,687
2031-2032	1,591,411
2032-2033	852,064
2033-2034	-

Comparison of Actual and Assumed Salary Increases

Period Ended September 30	Actual Rate of Increase	Assumed Rate of Increase
2002	4.38%	5.64%
2003	7.61%	5.46%
2004	9.35%	5.36%

Comparison of Actual and Assumed Investment Returns*

Period Ended September 30	Actual Rate of Return	Assumed Rate of Return
2002	0.15%	9.25%
2003	3.96%	9.25%
2004	16.40%	9.25%

*Based on actuarial value of assets.

Calculation of Actual Rate of Investment Return

Plan Year Ended September 30, 2003

$$R = \frac{2I}{M1+M2-I}, \text{ where}$$

I = the interest, dividends, plus appreciation or (depreciation), net of investment expense

M1 = beginning actuarial value

M2 = ending actuarial value

$$R = \frac{2 \text{ X } \$6{,}904{,}453}{(\$152{,}896{,}547 + \$202{,}748{,}044 - \$6{,}904{,}453)}$$

$$R = \frac{\$13{,}808{,}906}{\$348{,}740{,}138}$$

$$R = 3.96\%$$

Plan Year Ended September 30, 2004		
R	=	$\frac{2I}{M1+M2-I}$, where
I	=	the interest, dividends, plus appreciation or (depreciation), net of investment expense
M1	=	beginning actuarial value
M2	=	ending actuarial value
R	=	$\frac{2 \text{ X } \$32,837,020}{(\$202,748,044 + \$230,623,817 - \$32,837,020)}$
R	=	$\frac{\$65,674,040}{\$400,534,841}$
R	=	16.40%

Additional Disclosures

There are no additional disclosures required under Rules 22D-1.003(4)(f) and (g) of the State of Florida, Department of Management Services, Division of Retirement.

SECTION 4
ALTERNATIVE 8.5% INVESTMENT ASSUMPTION PRO FORMA RESULTS

SECTION 4

ALTERNATIVE 8.5% INVESTMENT ASSUMPTION PRO FORMA RESULTS

This section presents an alternative pro forma actuarial valuation based on an assumed investment return rate of 8.5% rather than the 9.25% as used for the 2004 actuarial valuation. The purpose of this alternative valuation is to determine what contribution requirements would be applicable had the lower assumed investment return assumption been used to determine City contribution requirements.

If the City were to adopt an assumed 8.5% rate of investment return, net City contribution requirements would have been 6.57% of payroll, rather than 3.51% as shown on page 2-4 of this valuation report. Translated into dollar amounts for the 2005-06 fiscal year, contributions would have been required to be increased from $2.493 million to $4.674 million.

This pro forma valuation provides some sort of gauge as to where contributions might be headed if the City, in fact, does not attain the expected 9.25% rate of investment return. It should be noted that if this were the case, contributions would not increase immediately, but would gradually gravitate toward the higher requirement over time.

The alternative investment assumption pro forma results are presented on the following page.

2004 Valuation Table - Alternative 8.5% Investment Assumption Pro Forma Results

1. Participation			
(a) Number of Active Members			1,512
(b) Number of Inactive Members			967
(c) Annual Valuation Payroll for Contributing Members		$	67,705,700
(d) Total Valuation Payroll			67,705,700
2. Actuarial Present Value (APV) of Future Benefits as of 10/1/04			
(a) Active Members			
(1) Retirement			166,790,196
(2) Withdrawal			3,169,888
(3) Disability*			1,585,267
(4) Death			1,398,605
(5) Refund of Contributions			2,269,826
(6) Total		$	175,213,782
(b) DROP Retirees			23,289,430
(c) Retirees and Beneficiaries			106,330,724
(d) Disabled Retirees (included with Vested Terminated)			-
(e) Vested Terminated and Limited Members			3,279,704
(f) Total APV Future Benefits		$	308,113,640
3. APV Apportionment of line 2(f)**			
(a) APV of Total Future Normal Costs			50,553,120
(b) Actuarial Accrued Liability [(2f)-(3a)]			257,560,520
(c) Actuarial Value of Assets			230,623,817
(d) Unfunded AAL (UAAL) [(3b)-(3c)]		$	26,936,703
4. Breakdown of UAAL on line 3(d)			
(a) UAAL [3(d)]			26,936,703
(b) Change in UAAL Due to Assumption Change			16,882,222
(c) UAAL Before Change [(4a)-(4b)]		$	10,054,481
(d) Expected UAAL			1,816,614
(e) Actuarial (Gain) Loss [(4c)-(4d)]		$	8,237,867

5. Contribution Requirements Due *** End of Month 10/01/05	Equiv. Annual $ Amount	Percentage of Payroll
(a) Plan Normal Cost excluding Expenses	$ 6,481,951	9.12%
(b) Expense Normal Cost	297,130	0.42%
(c) Plan Total Normal Cost [(5a)+(5b)]	$ 6,779,081	9.54%
(d) Amortization of UAAL	1,449,141	2.04%
(e) Total Required Plan Contribution [(5c)+(5d)]	$ 8,228,222	11.57%
(f) Estimated Member Contributions	3,554,549	5.00%
(g) Net City Required Contributions [(5e)-(5f)]	$ 4,673,673	6.57%

* Members who become disabled while actively at work are assumed to be entitled to receive a deferred vested termination benefit at age 65 under this plan.

** Calculated in accordance with the Individual Entry Age Actuarial Cost Method.

*** Payments start one year from valuation date; includes a payroll growth rate of 5% per year.

SECTION 5

ALTERNATIVE PRO FORMA RESULTS ASSUMING NO PENSION BOND ISSUE

SECTION 5

ALTERNATIVE PRO FORMA RESULTS ASSUMING NO PENSION BOND ISSUE

This section presents an alternative pro forma actuarial valuation based on assuming no pension bond issue occurred in 2003. The purpose of this alternative valuation is to determine what contribution requirements would be applicable had the bond proceeds not been placed into the pension fund.

If the City had not undertaken a pension bond issue to pre-fund the unfunded actuarial accrued liability, net City contribution requirements would have been 8.45% of payroll, rather than 3.51% as shown on page 2-4 of this valuation report. Translated into dollar amounts for the 2005-06 fiscal year, contributions would have been required to be increased from $2.493 million to $6.011 million.

The alternative pro forma results assuming no pension bond issue are presented on the following page.

2004 Valuation Table - Alternative Pro Forma Results Assuming No Pension Bond Issue

1. Participation		
(a) Number of Active Members		1,512
(b) Number of Inactive Members		967
(c) Annual Valuation Payroll for Contributing Members	$	67,705,700
(d) Total Valuation Payroll		67,705,700
2. Actuarial Present Value (APV) of Future Benefits as of 10/1/04		
(a) Active Members		
(1) Retirement		145,614,133
(2) Withdrawal		2,612,173
(3) Disability*		1,356,004
(4) Death		1,223,558
(5) Refund of Contributions		2,377,085
(6) Total	$	153,182,953
(b) DROP Retirees		21,675,036
(c) Retirees and Beneficiaries		99,911,912
(d) Disabled Retirees (included with Vested Terminated)		-
(e) Vested Terminated and Limited Members		2,918,125
(f) Total APV Future Benefits	$	277,688,026
3. APV Apportionment of line 2(f)**		
(a) APV of Total Future Normal Costs		41,102,617
(b) Actuarial Accrued Liability [(2f)-(3a)]		236,585,409
(c) Actuarial Value of Assets		176,295,470
(d) Unfunded AAL (UAAL) [(3b)-(3c)]	$	60,289,939
4. Breakdown of UAAL on line 3(d)		
(a) UAAL [3(d)]		60,289,939
(b) Change in UAAL Due to Assumption Change		(4,092,889)
(c) UAAL Before Change [(4a)-(4b)]	$	64,382,828
(d) Expected UAAL		43,559,918
(e) Actuarial (Gain) Loss [(4c)-(4d)]	$	20,822,910

5. Contribution Requirements Due *** End of Month 10/01/05	Equiv. Annual $ Amount	Percentage of Payroll
(a) Plan Normal Cost excluding Expenses	$ 5,522,942	7.77%
(b) Expense Normal Cost	298,226	0.42%
(c) Plan Total Normal Cost [(5a)+(5b)]	$ 5,821,168	8.19%
(d) Amortization of UAAL	3,744,005	5.27%
(e) Total Required Plan Contribution [(5c)+(5d)]	$ 9,565,173	13.45%
(f) Estimated Member Contributions	3,554,549	5.00%
(g) Net City Required Contributions [(5e)-(5f)]	$ 6,010,624	8.45%

* Members who become disabled while actively at work are assumed to be entitled to receive a deferred vested termination benefit at age 65 under this plan.

** Calculated in accordance with the Individual Entry Age Actuarial Cost Method.

*** Payments start one year from valuation date; includes a payroll growth rate of 5% per year.