

CITY OF GAINESVILLE
GENERAL EMPLOYEES' PENSION PLAN

2004 ACTUARIAL VALUATION REPORT

MAY 2005

ACTUARIAL VALUATION AS OF OCTOBER 1, 2004
TO DETERMINE CONTRIBUTIONS TO BE PAID
IN THE FISCAL YEAR BEGINNING OCTOBER 1, 2005

Actuarial Concepts

Management Advisors
Benefit Specialists

May 5, 2005

Honorable Mayor and
Members of the City Commission
City of Gainesville
P.O. Box 490
Gainesville, Florida 32602

Members of the Commission:

CITY OF GAINESVILLE GENERAL EMPLOYEES' PENSION PLAN 2004 ACTUARIAL VALUATION REPORT

This report presents the results of the 2004 actuarial valuation of the City of Gainesville General Employees' Pension Plan. Actuarial Concepts was retained by the City to perform the actuarial valuation and prepare this report. This actuarial valuation was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate and, in our 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 that require a material increase in Plan costs or required contribution rates have been taken into account in the valuation.

The use of the valuation results for financial or administrative purposes other than those outlined in the report is not recommended without an advance review by Actuarial Concepts of the appropriateness of such application.

Members of our staff are available to discuss this report and related issues.

Very truly yours,

ACTUARIAL CONCEPTS

By: _____



Michael J. Tierney
ASA, MAAA, FCA, EA #05-1337

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SECTION 1
KEY VALUATION RESULTS SUMMARY

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KEY VALUATION RESULTS SUMMARY

The 2004 valuation of the General Employees' Pension Plan presents a statement of the estimated financial position of the Plan as of October 1, 2004. Information in the report provides bases for determining contribution requirements and current funded status.

Key Results Synopsis

The major conclusions of the report are:

- The Plan experienced an overall actuarial loss over the last 24 months of approximately \$8.2 million, mostly due to adverse investment and salary-increase experience.
- The City contribution rates have decreased significantly due to the prepayment of unfunded liability amortizations in 2003.
- The Plan's past-service, projected-salary benefit liabilities are 106% funded.

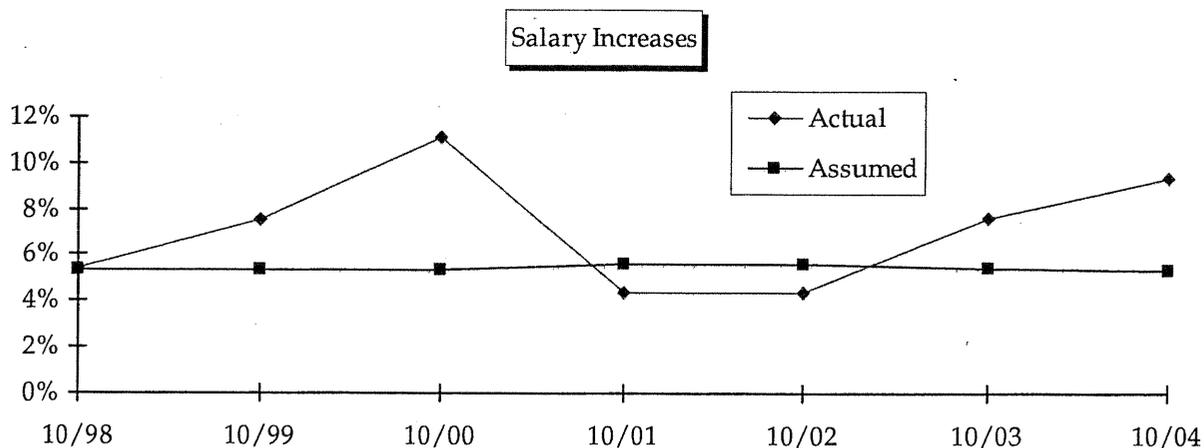
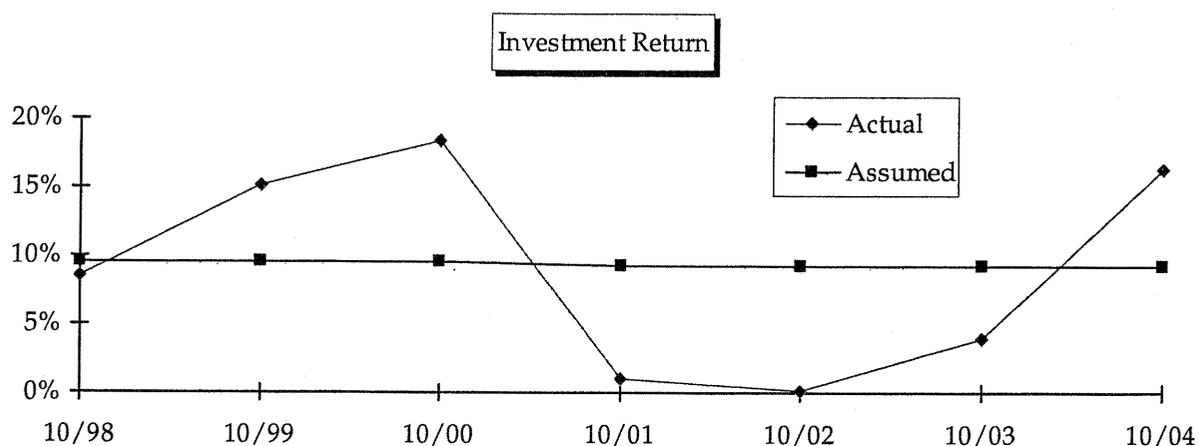
Changes Since Last Valuation

- 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.

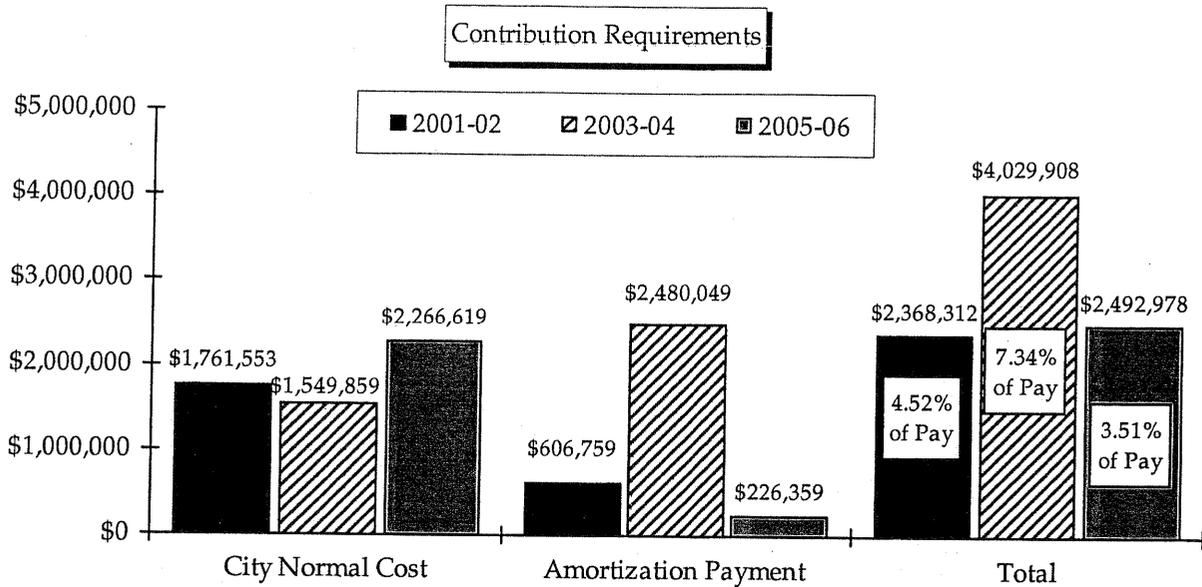
A summary of current Plan provisions is included in Appendix A. Actuarial assumptions and cost method are summarized in Appendix B, along with explanations of other valuation procedures.

Plan Experience

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.



City Contribution Requirements

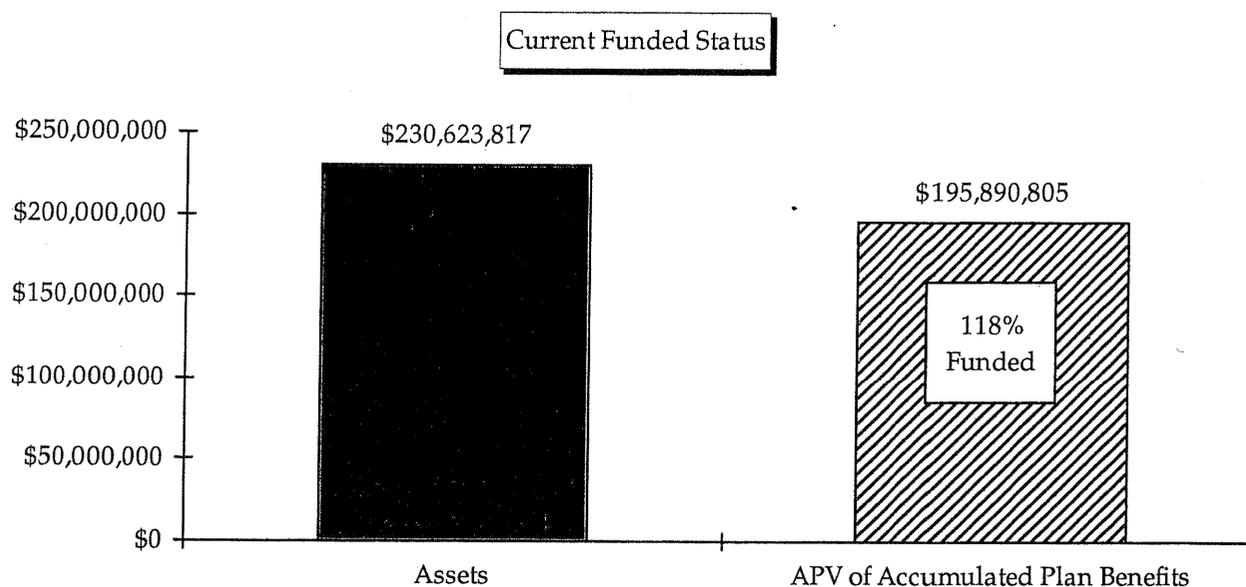


Contribution Type	2004-2005	2005-2006
Annual Required Contribution	\$ 4,231,403	\$ 2,492,978
Monthly Required Contribution	352,617	207,748

For the 2004-05 plan year, the required City contribution rate (assumed payable monthly) is 7.34% of expected 2004-05 total annual payroll, or \$4,231,403. This required contribution is developed as the sum of the normal cost and amortization of the unfunded actuarial accrued liability (UAAL). Each UAAL base is amortized over 30 years from inception. In addition to this contribution amount, members contribute 5% of gross pay to the Plan.

For the 2005-06 plan year, the required City contribution rate (assumed payable monthly) is 3.51% of expected 2005-06 total annual payroll, or \$2,492,978. This required contribution is developed as the sum of the normal cost and amortization of each UAAL base over 30 years from inception. In addition to this contribution amount, members contribute 5% of gross pay to the Plan.

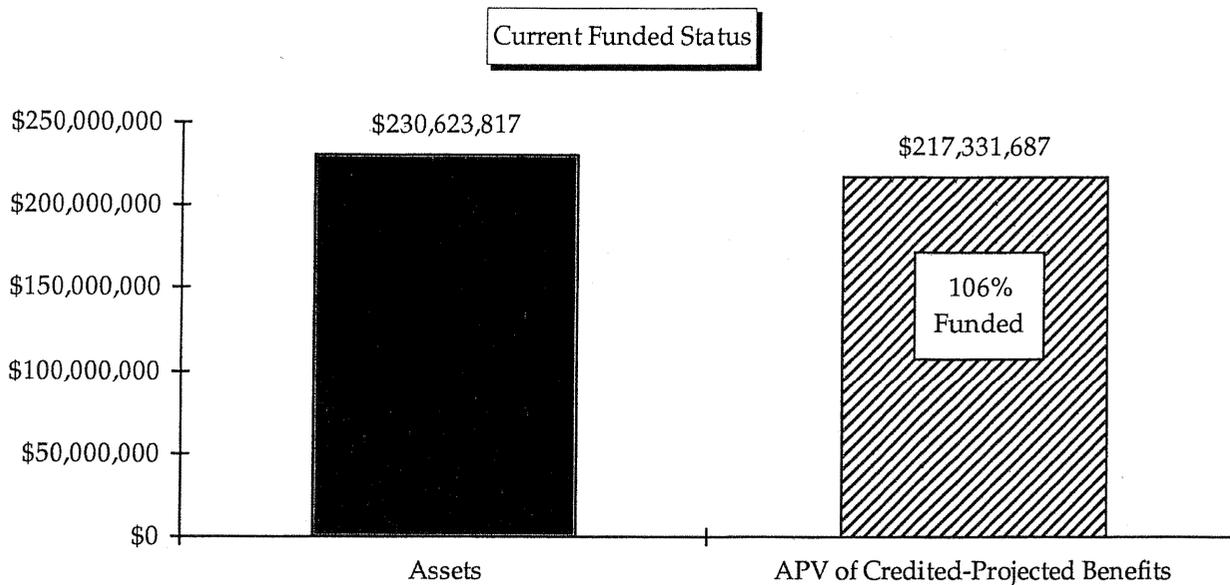
Current Funded Status - Current Liabilities



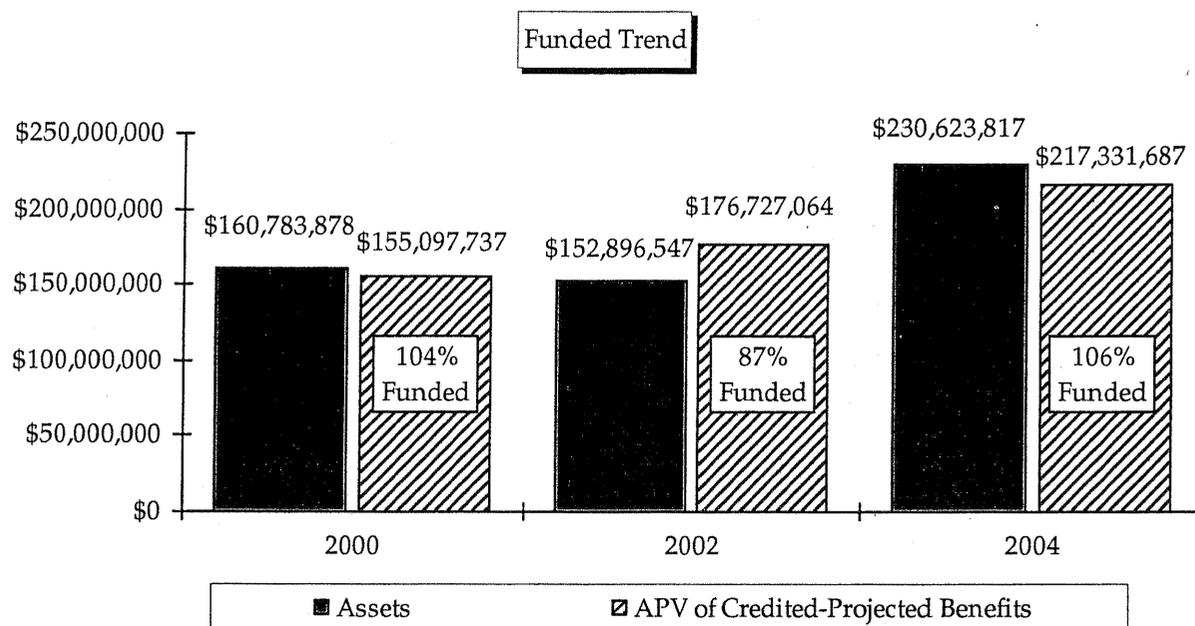
A comparison of current assets of the fund with the current actuarial present value (APV) of benefits accrued based on credited service and salary to date is commonly used to determine the Plan's current funded status. This measurement is often used as a surrogate for the liability if the Plan were to stop future benefit accruals. It is called "current liability" since it is based only on current earned benefits, even though the actual payment of those benefits extends many years into the future. The accumulated benefit liability APVs were developed using the assumed rate of future investment return of 9.25%.

The current liability is normally expected to be more than 100% funded for an ongoing plan since the plan will ultimately be liable for a greater accrued benefit (the credited-projected benefit). The current funded level is very good.

Current Funded Status - Projected Liabilities

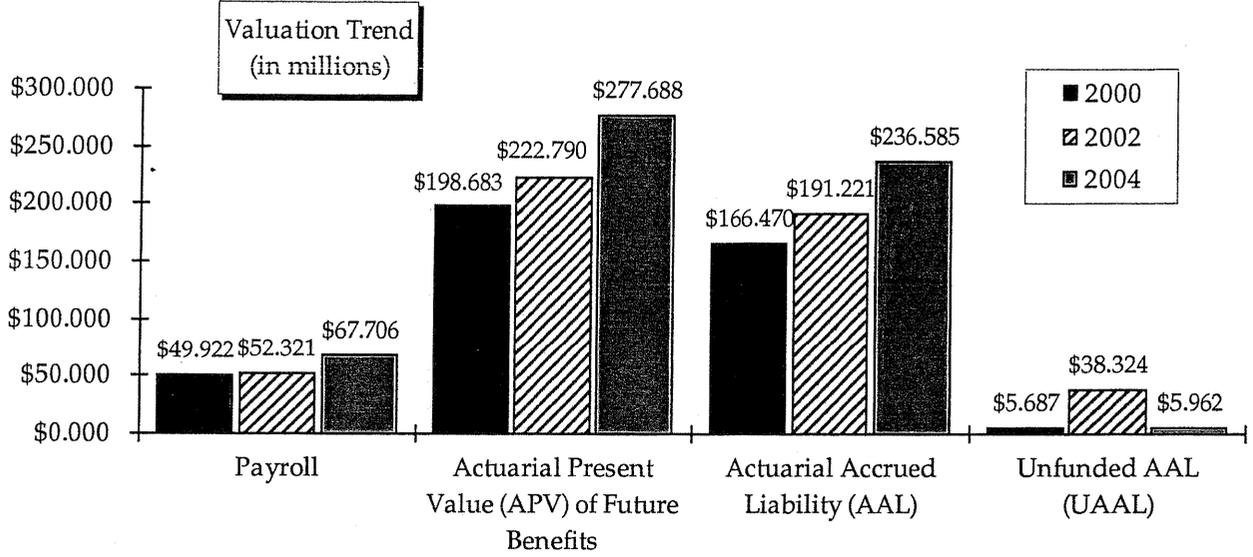


A comparison of assets with the APV of benefits accrued based on credited service to date but projected salary at retirement is often used to judge the progress to date of funding the "ultimate" liability associated with service earned to date. The credited-projected benefit liability is not normally expected to be 100% funded, but a maturing plan's funded ratio should increase over time. The credited-projected benefit liability APVs were developed using an assumed rate of interest discount of 9.25%. The solid funding level reflects the prepayment of previous unfunded liability amortization payments in 2003.

Funded Trend

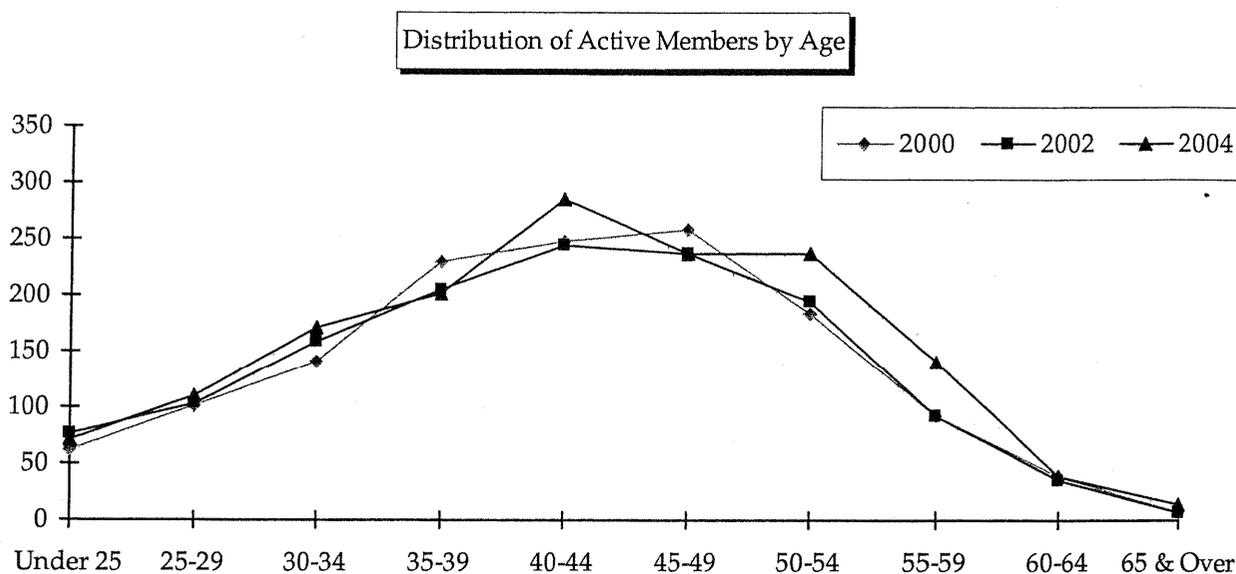
The Plan is again over 100% funded due to the prepayment of UAAL amortizations in 2003. The 106% funded level puts the Plan in a solid funded position.

Valuation Trend



Projected liabilities continue to increase steadily, as does payroll.

Membership Trend



Additional information on all Plan members can be found in Appendix D.

True Costs

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.

SECTION 2
ACTUARIAL VALUATION DEVELOPMENT

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ACTUARIAL VALUATION DEVELOPMENT

Date and Basis of Valuation

Estimated liabilities with respect to the benefits provided by the General Plan and the contributions required to fund these liabilities have been determined as of October 1, 2004, based upon:

1. the provisions of the Plan, as in effect on October 1, 2004, as summarized in Appendix A;
2. the actuarial assumptions and actuarial cost method, as summarized in Appendix B;
3. the statement of fund assets at September 30, 2004, provided by the City, as summarized in Appendix C; and
4. the member data as of September 30, 2004, provided by the City, as summarized in Appendix D.

The statement of trust fund assets has been supplied by the City. The member data has been supplied by the City and provided as an actual representation of the current participating group. While the asset and member information was reviewed for overall reasonableness, Actuarial Concepts has relied on the City for this information and does not assume responsibility for either its accuracy or completeness.

Member Reconciliation

		Members					Total Members and Part-Time Employees
		Actives	Retirees, Beneficiaries	DROP Retirees	Disabled Retirees	Vested Terminateds	
Members at	10/01/02	1,358	564	78	-	180	55
Increase (Decrease) Due to:							
Retirements		(48)	82	(23)	-	(8)	(3)
DROP Retirements		(13)	-	13	-	-	-
Nonvested Terminations		(97)	-	-	-	(1)	(7)
Vested Terminations		(29)	-	-	-	30	(1)
New Entrants		311	-	-	-	2	-
Deaths		(4)	(23)	(2)	-	(6)	-
Rehires		27	-	-	-	(2)	-
Disableds*		(5)	-	-	-	2	-
From LP Status		3	-	-	-	-	(3)
Contrib. Refunded		-	-	-	-	(8)	-
To LP Status		(48)	-	-	-	-	48
From 401(a) Plan		57	-	-	-	-	-
Members at	10/1/04	1,512	623	66	-	189	89

* Disabled general employees receive benefits from the City's disability plan. Although liabilities are measured for future disabled employees potentially receiving deferred termination benefits under this Plan, no liabilities for current disabled employees are held in this Plan.

2004 Valuation Table

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			230,623,817
(d)	Unfunded AAL (UAAL) [(3b)-(3c)]		\$	5,961,592
4. Breakdown of UAAL on line 3(d)				
(a)	UAAL [3(d)]			5,961,592
(b)	Change in UAAL Due to Assumption Change			(4,092,889)
(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	Equiv.	Percentage of
		Month	Annual \$	Payroll
		10/01/05	Amount	
(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		226,359	0.32%
(e)	Total Required Plan Contribution [(5c)+(5d)]		\$ 6,047,527	8.51%
(f)	Estimated Member Contributions		3,554,549	5.00%
(g)	Net City Required Contributions [(5e)-(5f)]		\$ 2,492,978	3.51%

* 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.

Explanation of Financial Values - 2004 Valuation Table**Actuarial Present Value of Future Benefits (line 2f)**

The actuarial present value (APV) of future benefits is determined by first measuring the benefit amount that would be available for each member at various future dates (assuming future service credits earned and future salary increases awarded) under each of the events provided for by the Plan (retirement, disability, death, termination of employment). Then the future value of those benefit entitlements is determined by multiplying the various benefit amounts by the then current value of the annuities associated with those amounts. Finally, the APV of those future benefit values is determined by applying discounts to recognize the time value of money and probabilities of death, disability, termination of employment, etc.

APV of Total Future Normal Costs (line 3a)

The APV of total future normal costs is that portion of the total APV of future benefits, as described above, that is assigned to future plan years by the Individual Entry Age Actuarial Cost Method (described in Appendix B).

Actuarial Accrued Liability (line 3b) and**Unfunded Actuarial Accrued Liability (line 3d)**

The actuarial accrued liability (AAL) and the unfunded AAL (UAAL) (the AAL less the actuarial value of assets) are actuarial values generated under the Individual Entry Age Actuarial Cost Method, as described in Appendix B. The AAL is not the APV of benefits accrued to date by members but is an actuarially determined amount based on the accrual of Individual Entry Age normal cost amounts due prior to the valuation date. The liability for benefits accrued to date (the APV of accumulated benefits) is provided in Section 3.

Plan Total Normal Cost (line 5c)

The Plan normal cost for the 12-month period beginning on the valuation date has been determined by first calculating for each member an individual yearly normal cost (that changes in dollar amount as pay increases, but is constant as a percent of each individual's pay), then adding together to obtain the Plan normal cost amount as of the beginning of the year. This preliminary total is then adjusted for interest credits assuming contributions are made monthly and an amount to allow for expected annual expenses.

Total Required Plan Contribution (line 5e)

The required contribution for the 2004-05 plan year is the annual amount necessary to cover the normal cost (based on the 2002 valuation normal cost rate applied to expected 2004-05 payroll) and amortize the UAAL base over a period of 30 years from inception (with one year payment delay), or 29 years of payments, assuming 12 regular payments per year including interest adjustment. The amortization of the UAAL incorporates an assumption that Plan membership payroll will grow at the rate of 5% per year over each respective remaining amortization period.

The required contribution for the 2005-06 plan year is the annual amount necessary to cover the normal cost (based on the 2004 valuation normal cost rate applied to expected 2005-06 payroll) and amortize each UAAL base over a period of 30 years from inception (with one year of payment delay), or 29 years of payments, assuming 12 regular payments per year including interest adjustment. The amortization of the UAAL incorporates an assumption that Plan membership payroll will grow at the rate of 5% per year over each respective remaining amortization period.

Discussion of the implications of these assumptions is presented in Section 3.

Derivation of Current UAAL

Development of UAAL as of Valuation Date		
1.	(a) Unfunded Actuarial Accrued Liability (UAAL) as of 10/1/02	\$ 38,324,116
	(b) Increase Due to Amendments	-
	(c) Payment Delay Effects	1,563,845
	(d) UAAL Subject to Amortization	<u>\$ 39,887,961</u>
2.	Normal Cost - Year Ended 9/30/03	4,417,296
3.	Interest Accrued on (1) and (2)	4,098,236
4.	Contributions - Year Ended 9/30/03	43,805,085
5.	Interest Accrued on (4)	1,981,184
6.	Expected UAAL at 10/01/03 [(1)+(2)+(3)-(4)-(5)]	2,617,224
7.	Normal Cost - Year Ended 9/30/04	4,097,015
8.	Interest Accrued on (6) and (7)	621,067
9.	Contributions - Year Ended 9/30/04	5,279,897
10.	Interest Accrued on (9)	238,795
11.	Expected UAAL at 10/01/04 [(6)+(7)+(8)-(9)-(10)]	1,816,614
12.	Changes Due to:	
	(a) Actuarial Assumptions	(4,092,889)
	(b) Plan Amendments	-
	(c) Actuarial (Gain)/Loss	8,237,867
	(d) Total	<u>\$ 4,144,978</u>
13.	UAAL at Valuation Date	5,961,592

SECTION 3
ANALYSIS OF VALUATION RESULTS