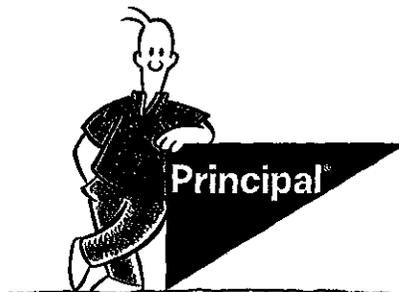


**City of Hallandale Beach Retirement Plan
4-45661**

Actuarial Valuation Report

For the plan year October 1, 2008 through
September 30, 2009



WE'LL GIVE YOU AN EDGESM

Section I	Introduction
Section II	Summary of Actuarial Results
Section III	Deposit Information Normal Cost and Deposit Levels
Section IV	Plan Assets
Section V	Development of Deposit Information Development of Normal Cost
Section VI	Participant Information Census Data Emerging Retirement Liability
Section VII	Actuarial Assumptions and Methods Actuarial Valuation Assumptions Actuarial Methods Description of Aggregate Cost Method
Section VIII	Summary of Plan Provisions
Section IX	Accounting Disclosure Information for SFAS 35
Section X	Accounting Disclosure Information for SGAS 27
Section XI	Florida Disclosures Statement of Valuation Results Demographic Display Asset Reconciliation

This actuarial valuation report is for your defined benefit retirement plan. It gives you the amounts needed to fund the benefits described in your plan document. This report is based on employee data and other information you provide us.

Funding Method

Defined benefit plans, as the name suggests, define the benefits given to employees. Your goal is to have enough funds to pay for these benefits. To do this, we use a funding method. It sets the yearly deposit needed to pay for your plan's benefits.

Assumptions

We use assumptions to estimate how much funding you'll need for benefits. For instance:

- How much interest will your funds earn?
- How many employees will leave the plan?
- What will be employees' future salaries?
- How many employees will become disabled?

Deposit levels change when actual events differ from what was assumed. To see the assumptions used for your plan, refer to Section VII of this report.

Using This Report

The law defines the minimum deposit you must make. Your deposit may have to be more than this to fund upcoming benefits. We'll advise you if you need to fund at a higher level. For a summary of these results, refer to Section II. More detailed information is found in the remaining sections of this report.

Actuarial Certification

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, these results are complete and accurate. In my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, and 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 contribution rates have been taken into account in the valuation.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



12/01/2008

David A. Stocklas, EA, MAAA
Consulting Actuary
Retirement Actuarial Services
Principal Financial Group
Pittsburgh, PA 15219
(412) 394-9380

Date

Section II-Summary of Actuarial Valuation Results

This summary is for City of Hallandale Beach Retirement Plan. It includes:

- Annual required contribution for the plan year ending 09/30/2010
- Deposit options
- Changes recognized in this report
- Analysis of results

Deposit Information

A summary of the results of the actuarial valuation is as follows:

Total normal cost	\$2,872,280
Employee normal cost (expected employee contributions)	219,884
Employer normal cost	2,652,396
Total normal cost as a percentage of member compensation	39.19%
Annual required contribution	2,851,326

Deposit Options

The table below explains the effects of depositing at different levels. The impact on next year's costs is based on all actuarial assumptions being met. Costs will vary based on actual plan experience and timing of deposits.

If you deposit	You will
Less than \$2,851,326	➤ Increase your next year's annual required contribution.
Exactly \$2,851,326	➤ Meet your annual required contribution.
More than \$2,851,326	➤ Exceed your annual required contribution. ➤ Decrease next year's annual required contribution.

Deposits Received

We have received the following current plan year deposits as of 11/10/2008:

<u>Amount</u>	<u>Date Received</u>
\$9,080	10/06/2008
9,133	10/20/2008
9,046	11/04/2008
\$27,259	Total

Please take this into consideration when determining your additional current year contributions.

Section II-Summary of Actuarial Valuation Results

Assumption Change

While completing this valuation, we reviewed the actuarial assumptions. This report includes the following assumption change:

- The valuation interest rate was changed to reflect our current expectations of your plan's long term investment performance. We have decreased the rate to 7.50%.

The assumptions used are shown in Section VII. See Section IX for the effects of this change.

Analysis

Total normal cost as a percentage of compensation increased from 35.55% to 39.19%. This increase resulted from less than expected return on plan assets, greater than assumed salary increases, and the assumption change discussed above.

For Additional Information

For additional information you may contact your Pension Actuarial Analyst, Andrea Matson, by:

- Phone – 1-800-543-4015 extension 22364, or 515-362-2364
- Email – matson.andrea@principal.com

You may also contact your local Principal Financial Group Retirement Services sales office.

Section IV-Plan Assets

	<u>Actuarial Value</u>	<u>Market Value</u>
Principal Life Insurance Company Accounts		
Flexible Pension Investment (FPI) grouped accounts	\$30,818,192	\$25,824,801

The actuarial value of assets for the Flexible Pension Investment (FPI) grouped accounts is determined on a combined basis. See the following page for the development of this value.

Deposits Received for the 10/01/2007 Plan Year

The following employer deposits were made for the prior plan year and are reflected in the total assets above.

<u>Amount</u>	<u>Date Received</u>
\$513,501.50	11/16/2007
513,501.50	02/25/2008
513,501.50	06/25/2008
513,501.50	09/22/2008
\$2,054,006.00	Total

Development of Actuarial Value of Principal FPI Grouped Accounts

To determine the actuarial value of the Principal FPI grouped accounts we have adjusted the market value by:

- Subtracting any remaining deferred appreciation in excess of expected investment earnings.
- Adding any remaining deferred appreciation short of expected investment earnings (shortfall).

Of the total excess appreciation or shortfall for any one plan year, 25% is allocated to the current plan year and each of the next three plan years.

a) Market value of assets as of 10/01/2007	\$30,275,710
b) Contributions/transfers	2,291,858
c) Benefit payments	(1,742,403)
d) Expenses	(55,364)
e) Expected interest on (a, b, c, and d)	2,351,504
f) Expected value of assets as of 10/01/2008 (a+b+c+d+e)	\$33,121,305
g) Market value of assets as of 10/01/2008	\$25,824,801
h) Current year excess appreciation/(shortfall) (g-f)	(7,296,504)
i) Adjustment to market value (sum of deferred amounts)	(4,993,391)
j) Actuarial value of assets (g-i)	\$30,818,192

Allocation of Deferred Appreciation

Allocation	Plan Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2005	\$20,760			
2006	20,760	\$(75,028)		
2007	20,760	(75,027)	\$277,008	
2008	20,760	(75,027)	277,007	\$(1,824,126)
2009		(75,027)	277,007	(1,824,126)
2010			277,007	(1,824,126)
2011				(1,824,126)
Total	\$83,040	\$(300,109)	\$1,108,029	\$(7,296,504)
Deferred	\$0	\$(75,027)	\$554,014	\$(5,472,378)
Adjustment to market value (sum of deferred amounts)				\$(4,993,391)

Section V-Development of Deposit Information

Development of Normal Cost for fiscal year ending 09/30/2009

a) Present value of projected benefits	
Active members	\$30,007,037
Inactive members	4,314,038
Retired members	15,760,298
Total	\$50,081,373
b) Actuarial value of assets	30,818,192
c) Present value of future normal costs (a-b but not less than zero)	19,263,181
d) Present value of future compensation	54,017,066
e) Current annual compensation	6,983,097
f) Normal cost (c÷d×e)	2,490,262
g) Estimated expenses	55,363
h) Total normal cost (f+g)	\$2,545,625

Development of Normal Cost for fiscal year ending 09/30/2010

a) Total normal cost for 10/01/2008 plan year (line h above)	\$2,545,625
b) Adjustment for salary increase (1.0496%)	126,263
c) Adjustment for interest (1.0750%)	200,392
d) Total Normal Cost for 9/30/2010 FYE	2,872,280
e) Employee Normal Cost (adjusted for salary increases)	219,884
f) Employer Normal Cost (d-e)	\$2,652,396

Section VI-Participant Information

Census Data

The census data is based on data supplied by the plan sponsor.

Age Group	Active Participants		Inactive Participants	
	<u>Number</u>	<u>Projected Monthly Pension</u> ¹	<u>Number</u>	<u>Monthly Pension</u>
Under 25	5	\$90,814		
25 - 29	7	86,825		
30 - 34	13	143,379	2	\$813
35 - 39	24	201,652	5	1,527
40 - 44	24	163,552	9	3,853
45 - 49	22	123,930	8	2,810
50 - 54	38	175,789	20	13,558
55 - 59	18	56,804	11	7,721
60 - 64	5	13,042	9	16,907
65 & over	5	9,763	4	1,734
Totals	161	\$1,065,550	68	\$48,923

¹ Projected monthly pension was calculated on the assumption that employees would experience annual compensation increases. This also includes the projected medical stipend a participant would have at retirement.

Included in the inactive participants are 7 individuals participating in the DROP provision, and 10 participants who have employee contributions only.

Retired Participants		
Age Group	<u>Number</u>	<u>Monthly Benefit</u> ²
Under 40		
40 - 44		
45 - 49		
50 - 54	2	\$649
55 - 59	5	11,208
60 - 64	15	24,560
65 - 69	29	41,628
70 - 74	19	24,829
75 - 79	17	20,324
80 - 84	19	11,456
85 & over	13	4,687
Totals	119	\$139,341

² This also includes the medical stipend a participant has earned.

Section VI-Participant Information

Emerging Retirement Liability

This page is provided to help you evaluate your asset liquidity needs. For this purpose, the charges shown can be compared to the market value of assets not already allocated to retirees. As of the current anniversary date, this amount is \$13,007,711.

<u>Plan Year Beginning</u>	<u>Number Retiring</u>	<u>Projected Monthly Benefit</u>	<u>Expected Charge to Assets</u>	<u>Cumulative Charges</u>
10/01/2008	24	\$42,393	\$1,224,633	\$1,224,633
10/01/2009	9	21,439	1,481,906	2,706,539
10/01/2010	3	6,631	1,561,474	4,268,013
10/01/2011	8	18,222	1,780,134	6,048,147
10/01/2012	7	17,286	1,987,570	8,035,717
10/01/2013	4	10,173	2,109,645	10,145,362
10/01/2014	15	50,361	2,713,974	12,859,336
10/01/2015	13	38,344	3,174,102	16,033,438
10/01/2016	10	33,269	3,573,331	19,606,769
10/01/2017	9	39,732	4,050,118	23,656,887

Number retiring recognizes only those who have benefits that will commence in that year.

Projected monthly benefit was calculated using the salary scale shown on the assumption page of this report.

Expected charge to assets is an estimate of the total monthly benefits payable from your plan. This display assumes new retirements at the beginning of the plan year and includes charges for those already retired under the direct fund. We have assumed that retired participants will live and receive benefits until the end of this display.

This display includes 34 retirees or beneficiaries who are already receiving benefits under the direct fund provision of the contract. Excluded are the 85 retirees who were retired under the benefit index provision.

This includes monthly payments going to the DROP account even though they are still in the plan assets after being paid.

Section VI-Participant Information

The table below outlines the value of the Benefit Index as compared to the total market value of the retirement funds. For retirements prior to August 2002, you utilized the Benefit Index approach; for retirements after, you have elected to use the Direct Fund approach so as to minimize a potential emerging liability situation. No further retirements have occurred under the Benefit Index option since September of 2002, and the ratio of Benefit Index to market value of assets has now declined.

Plan Year Beginning	October 1, 2008	October 1, 2007	October 1, 2006	October 1, 2005
Market Value of Assets	\$25,824,801	\$30,275,710	\$26,510,105	\$24,436,429
Benefit Index	\$12,817,090	\$13,419,897	\$14,093,571	\$15,044,922
Ratio of Benefit Index to Assets	50%	44%	53%	62%

Section VII-Actuarial Assumptions and Methods

Actuarial Valuation Assumptions

	<u>10/01/2008</u>	<u>10/01/2007</u>																																								
Valuation Interest (net of investment expenses)																																										
Preretirement	7.50%	7.75%																																								
Postretirement	7.50%	7.75%																																								
Interest Rate For Employee Accumulations	3.00%	3.00%																																								
Mortality																																										
Preretirement	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																								
Postretirement	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																								
Expenses	A dollar estimate of administrative expenses is included in normal cost.	A dollar estimate of administrative expenses is included in normal cost.																																								
Salary Scale	Table S-5 from the Actuary's Pension Handbook plus 3.30%.	Table S-5 from the Actuary's Pension Handbook plus 3.30%.																																								
	Selected rates of increase are shown below:	Selected rates of increase are shown below:																																								
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Increase</u></th> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>8.40%</td> <td>40</td> <td>6.02%</td> </tr> <tr> <td>25</td> <td>7.48%</td> <td>45</td> <td>5.69%</td> </tr> <tr> <td>30</td> <td>6.87%</td> <td>50</td> <td>5.42%</td> </tr> <tr> <td>35</td> <td>6.41%</td> <td>55</td> <td>5.18%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Increase</u>	<u>Age</u>	<u>Increase</u>	20	8.40%	40	6.02%	25	7.48%	45	5.69%	30	6.87%	50	5.42%	35	6.41%	55	5.18%	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Increase</u></th> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>8.40%</td> <td>40</td> <td>6.02%</td> </tr> <tr> <td>25</td> <td>7.48%</td> <td>45</td> <td>5.69%</td> </tr> <tr> <td>30</td> <td>6.87%</td> <td>50</td> <td>5.42%</td> </tr> <tr> <td>35</td> <td>6.41%</td> <td>55</td> <td>5.18%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Increase</u>	<u>Age</u>	<u>Increase</u>	20	8.40%	40	6.02%	25	7.48%	45	5.69%	30	6.87%	50	5.42%	35	6.41%	55	5.18%
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35	6.41%	55	5.18%																																							
Retirement Age	Normal retirement age as defined in Summary of Plan Provisions.	Normal retirement age as defined in Summary of Plan Provisions.																																								
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.	1987 Commissioner's Group Disability Table, six month elimination period, male and female.																																								
Marriage	75% married; male is 3 years older than the female.	75% married; male is 3 years older than the female.																																								

Section VII-Actuarial Assumptions and Methods

Withdrawal

2003 Society of Actuaries Small Plan
Age Table, multiplied by 0.75

2003 Society of Actuaries Small Plan
Age Table, multiplied by 0.75

Selected rates of withdrawal are shown
below:

Selected rates of withdrawal are shown
below:

<u>Age</u>	<u>Rate of withdrawal</u>						
20	18.23%	40	7.05%	20	18.23%	40	7.05%
25	14.63%	45	5.48%	25	14.63%	45	5.48%
30	11.63%	50	4.20%	30	11.63%	50	4.20%
35	9.08%	55	3.15%	35	9.08%	55	3.15%

Accumulated Leave

None

None

Medical Stipend

Assume all eligible continue to receive
medical stipend.

Assume all eligible continue to receive
medical stipend.

The actuarial valuation assumptions used in this report differ from those used in the previous report. This year we updated the valuation interest assumption. This assumption was changed to better reflect the anticipated experience of your plan.

Section VII-Actuarial Assumptions and Methods

Actuarial Methods

	<u>10/01/2008</u>	<u>10/01/2007</u>
Actuarial cost method	Aggregate	Aggregate
Actuarial value of assets		
Principal Life Insurance Company accounts		
FPI grouped accounts	Market value is adjusted by spreading the expected value minus the actual value over four years.	Market value is adjusted by spreading the expected value minus the actual value over four years.
Deposits after the plan year end	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.
Retirees	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.
Deferred Retirement Option Plan (DROP) liability and assets	Participants who are participating in the Deferred Retirement Option Plan but who have not terminated employment are included in the valuation as retired participants. The future stream of benefit payments are valued as a liability to the plan. The DROP account balances are tracked and will be added to the actuarial value of liabilities for valuation purposes as well. The actuarial value and market value of assets will reflect the total assets of the plan including the DROP account balances.	Participants who are participating in the Deferred Retirement Option Plan but who have not terminated employment are included in the valuation as retired participants. The future stream of benefit payments are valued as a liability to the plan. The DROP account balances are tracked and will be added to the actuarial value of liabilities for valuation purposes as well. The actuarial value and market value of assets will reflect the total assets of the plan including the DROP account balances.

Description of Actuarial Cost Method Aggregate

Ultimate Cost

The ultimate cost of your pension plan is:

- Benefit payments
- Plus expenses
- Less investment income

This cost can't be determined until the last benefit has been paid. Regardless of which actuarial cost method is used, the ultimate cost remains the same.

Cost Methods

A cost method is a budgeting tool. It helps to ensure that your pension plan is adequately and systematically funded. Cost methods differ based on how they assign an annual cost to the current year and how they treat gains and losses.

Normal Cost

The portion of cost assigned to each year is called the normal cost. The normal cost may be shared by the employer and the employees based on plan provisions.

Aggregate

The aggregate cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Normal cost is determined by reducing the total cost of projected benefits by plan assets. This amount (the present value of future normal costs) is then spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related.

Actuarial Gains/Losses

An actuarial gain or loss occurs when actual plan experience differs from what was assumed. The actuarial gain or loss is not calculated separately, but is reflected in the calculation of normal cost. A gain decreases normal cost and a loss increases normal cost. Normal cost will vary based on how plan experience compares to what was assumed.

Section VIII-Summary of Plan Provisions

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

Plan Eligibility

Age:	Not attained age 60.
Service:	One year of service.
Class:	Any employee of the employer considered to be a general employee by the employer, not a policeman, fireman, or manager, that works more than 37.5 hours per week and is considered to be on a full-time basis. Lawrence Faragher, Jorge Fernandini, and Mary Washington will be included in this group regardless of their management status. Must agree to make required contributions. Effective 10/01/2007 non-bargaining employees will not become or again become active participants.

Normal Retirement Benefit

Age:	Attained age 60.
Form:	Monthly annuity with benefits received guaranteed to be at least equal to the employees' accumulation on normal retirement date (optional forms may be elected prior to retirement).
Amount (accrued benefit):	73% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for bargaining employees. 75% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for non-bargaining employees. This amount will be reduced for each full or partial year that his/her spouse is eligible for the qualified preretirement survivor annuity before the earlier of the date he/she becomes inactive or reaches normal retirement date. For each year of coverage the reduction is .25%. The accrued benefit will be reduced if an active participant has not made all of his/her required contributions.

Section VIII-Summary of Plan Provisions

Early Retirement Benefit

Age:	Attained age 55
Service:	Twenty years of service.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on early retirement date reduced by 6 2/3% for each year up to five that the early retirement date precedes normal retirement date.

Late Retirement Benefit

Age:	No maximum age.
Form:	Same as normal retirement benefit.
Amount:	The greater of (a) or (b): (a) Accrued benefit as of normal retirement date increased to reflect that payment begins at a later date. (b) Accrued benefit on late retirement date.

Termination Benefit

Vesting percentage:	20% after three years of vesting service plus 20% per year thereafter, up to 100%.
Form:	Same as normal retirement benefit with income deferred until normal retirement.
Amount:	Equal to the sum of: (a) The amount of retirement annuity which could be purchased on his normal retirement date by the participant's accumulation. (b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above.

At any time on or after termination, the participant may elect to receive his/her participant's accumulation in cash in lieu of any and all retirement benefits.

Section VIII-Summary of Plan Provisions

Medical Premium Benefit:

Eligibility	Active participant
Amount:	An annual benefit of \$120 times years of service (maximum 20 years). Any non-bargaining employee hired after 01/01/1996 will not be eligible for this benefit.

Deferred Retirement Option Plan:

Eligibility	An active participant first becomes eligible to elect the DROP upon becoming eligible for early or normal retirement. A post-dated written letter of resignation fully binding upon the member is also required.
Election:	An election to participate in the DROP shall be forfeited if not exercised within 90 days immediately prior to member's eligibility to enter the DROP. Those members eligible to participate in the DROP prior to its effective date (October 1, 2000) shall have a period of 90 days from the effective date to elect participation in the DROP. The period of participation in the DROP cannot exceed a period of five years and/or age 67.
Form:	While the employee is in the DROP the pension benefit payments will be made to the DROP account as if the member had terminated employment and elected to receive monthly benefits payable in an amount as determined by the retirement option selected by the member . Payments to the DROP will earn or lose interest at the same rate and frequency as the pension fund, minus .5% for administrative cost. Payment options are lump sum, installments or an annuity.
Amount:	After the commencement of participation in the DROP, no additional service under the retirement plan will be credited and all calculations for average compensation will be based on the years preceding the commencement of participation in the DROP. Otherwise the DROP benefit will be based on the normal retirement benefit formula. Upon termination of employment, the member will receive the balance of the DROP account either immediately or he/she may defer payment until the latest day permitted under the minimal distribution requirements of section 401(a)(9) of the Internal Revenue Code.

Contributions

Participant:	3% of monthly compensation.
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Section VIII-Summary of Plan Provisions

Early Retirement Window

Participants who were age 55 with 20 years of service on November 1, 2003 were given the option to retire early with their expected benefit at normal retirement date unreduced for early retirement with no accrued benefit adjustment applied. The last date to exercise this option was 12/22/2003.

Death Benefits:

If not waived, the greater of A. or B.:

A. Lump sum death benefit

Form: Lump sum.

Amount: Participant's accumulation.

B. Death benefit

Age: Attained age 55.

Service: Twenty years of service.

Form: Monthly annuity payable to spouse.

Amount: The amount that would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

Definitions

Average compensation: The monthly average of compensation received for the last three years of employment (all years if less than three).

Short service percentage: The percentage obtained by dividing the number of complete months of service between a participant's date of employment and normal retirement date by 180 (maximum 100%).

Accrued benefit adjustment: The quotient of the number of complete months of service as of a given date divided by the number of complete months of service as of normal retirement date.

Required contribution account: Total of participant's required contributions with interest, less any previously paid out contributions. Interest shall be credited in each year at a rate of 3% per annum compounded annually.

Section IX-Accounting Disclosure Information for SFAS35

Present Value of Accumulated Plan Benefits

Present value of vested and nonvested accrued benefits are based on the **valuation assumptions** shown in Section VII of this report (salary scale, if any, is not included in the calculation of accrued benefits). If the valuation includes retirees under the floor or benefit index option of the plan's funding arrangement, then those liabilities are also included below. This information may be used for Statement of Financial Accounting Standards No. 35 (SFAS35). These amounts should not be used for other purposes such as estimating plan termination sufficiency.

	<u>10/01/2008</u>	<u>10/01/2007</u>
Present Value of Vested Benefits		
Retired members	\$15,760,298	\$15,124,054
Inactive members	4,314,038	4,158,390
Active members	14,165,198	12,321,854
Total	\$34,239,534	\$31,604,298
Present Value of Nonvested Benefits		
Inactive members	\$0	\$0
Active members	424,930	316,747
Total	\$424,930	\$316,747
Total Present Value of Accumulated Plan Benefits	\$34,664,464	\$31,921,045

The following changes have had these effects, on an annual basis, as of the valuation date.

	<u>Normal Cost</u>	<u>Present Value of Vested Benefits</u>	<u>Present Value of Nonvested Benefits</u>
Assumptions	\$177,451	\$834,788	\$21,011

Change in Present Value of Accumulated Plan Benefits

Present Value of Accumulated Plan Benefits as of 10/01/2007	\$31,921,045
Increase (decrease) during the year due to:	
Increase for interest due to decrease in the discount period	2,473,881
Benefits paid	(1,742,403)
Benefits accumulated and plan experience	1,156,142
Change in assumptions	855,799
Plan amendment	0
Method changes	0
Present Value of Accumulated Plan Benefits as of 10/01/2008	\$34,664,464

Section XI-Florida Disclosures

This section provides information as required by Part VII of Chapter 112, and by Chapter 60T-1 of the Florida Statutes. To the best of our knowledge, we have reflected in our calculations and assumptions, any event or trend which would materially increase plan costs.

This section also provides the information used to determine the annual required contribution. Please see Section II-Summary of Actuarial Results of this valuation report for additional information.

**Comparative Summary of Principal
Valuation Results**

Actuarial Valuation Prepared as of

	<u>10/01/2008</u>	<u>10/01/2007</u>
Participant data		
Active members	161	145
Total annual payroll	\$7,497,050	\$5,950,372
Retired members and beneficiaries	119	117
Total annualized benefit	\$1,672,092	\$1,606,354
Disabled members receiving benefit	N/A	N/A
Total annualized benefit	N/A	N/A
Terminated vested members	68 ¹	72 ¹
Total annualized benefit	\$587,076	\$581,352

Reconciliation of lives

	<u>Active</u>	<u>Inactive</u>	<u>Retired</u>
Total last valuation	145	72	117
New lives	+23	0	0
Voluntary discontinuances	0	0	0
Vested terminations	-2	+2	0
Non-vested terminations	0	0	0
Retirements	-3	-3	+5
Deaths	0	0	-5
Other: ²	+1/-3	+1/-4	+2
Total this Valuation	161	68	119

Please refer to the demographic display of lives, which illustrates the number of participants by age group and includes years of vesting service, current year compensation, and projected normal retirement benefits. Please refer to Section VI-Emerging Retirement Liability of this valuation report for a projection of emerging liabilities/cash flow needs for the next 10 years.

¹ Includes 10 participants who are only entitled to receive their employee contributions.

²The active category includes 2 participants paid lump sums, 1 participant who transferred to the professional/management plan, and 1 participant who should have been valued last year but was not. The inactive category includes 4 participants paid lump sums, and 1 participant who transferred to the professional management plan.

The retired category includes 2 surviving spouses now receiving benefits.

Assets

Since these funds are commingled with other funds in the general and separate accounts of the Principal Financial Group, it is not possible to identify specific investments as being made for a particular customer. Refer to the reconciliation of assets in this section.

Actuarial Valuation Prepared as of

	<u>10/01/2008</u>	<u>10/01/2007</u>
Market Value of Assets		
Fixed Income Assets	\$0	\$0
Participants Fund ¹	0	0
Long-term Equity Investments	12,480,846	15,512,070
Short-term Investments	0	0
Real Estate	2,032,661	2,186,949
Bonds/Fixed Income	11,311,294	12,576,691
Other:		
Total	\$25,824,801	\$30,275,710
Actuarial Value of Assets²		
Participants Fund ¹		
Long-term Equity Investments		
Short-term Investments		
Real Estate		
Bonds/Fixed Income		
Other:		
Grouped Flexible Pension Investment	\$30,818,192	\$29,573,983
Accounts, including participant fund:		
Total	\$30,818,192	\$29,573,983

¹ The participant's fund under the FPI contract is included in total assets. These assets amounts do not include deposits received after the plan year-end.

² The actuarial value of assets used in determining annual funding requirements are determined as stated in Section VII-Actuarial Assumptions and Methods of this valuation report.

Three-year comparison of investment return.

The actual percentage was calculated using the Form 5500 Schedule B investment return method.

<u>Plan Year Beginning</u>	<u>Actual Return on Actuarial Basis</u>	<u>Market Value Return</u>	<u>Assumed Return</u>
10/01/2007	2.52%	-16.20%	7.50%
10/01/2006	8.64%	11.89%	7.75%
10/01/2005	7.91%	6.52%	7.75%

Section XI-Florida Disclosures

Liabilities

Actuarial Valuation Prepared as of

	10/01/2008 After Assumption <u>Change</u>	10/01/2008 Before Assumption <u>Change</u>	<u>10/01/2007</u>
Present value of all future expected benefit payments:			
Active Members			
Retirement benefits	\$24,071,252	\$23,140,062	\$19,087,011
Vesting benefits	4,630,510	4,390,551	3,656,210
Disability benefits	1,250,657	1,193,011	985,354
Death benefits	39,244	37,597	33,266
Return of contribution	15,374	15,161	11,977
Accumulated Leave			
Total	\$30,007,037	\$28,776,382	\$23,773,818
Terminated vested members	\$4,314,038	\$4,200,429	\$4,158,390
Retired members and beneficiaries			
Retired (other than disabled) and beneficiaries ¹	\$15,760,298	\$15,495,348	15,124,054
Disabled members	N/A	N/A	N/A
Total	\$20,074,336	\$19,695,777	\$19,282,444
Total present value of all future benefit payments	\$50,081,373	\$48,472,159	\$43,056,262
 Liabilities due and unpaid:			
Frozen Initial Liability (FIL)	N/A	N/A	N/A
Unfunded Frozen Initial Liability (UFIL)	N/A	N/A	N/A

¹ Includes the liability of the DROP account balances for those participants currently in the DROP.

Actuarial Present Value of Accrued Benefits

Actuarial Valuation Prepared as of

	10/01/2008 After Assumption <u>Change</u>	10/01/2008 Before Assumption <u>Change</u>	<u>10/01/2007</u>
Statement of actuarial value of all accrued benefits			
Vested Accrued Benefits			
Inactive members and beneficiaries ¹	\$20,074,336	\$19,695,777	\$19,282,444
Active members (includes non-forfeitable accumulated member contributions in the amount of \$1,984,465)	\$14,165,198	\$13,708,969	\$12,321,854
Total value of all vested accrued benefits	\$34,239,534	\$33,404,746	\$31,604,298
Non-vested accrued benefits	\$424,930	\$403,919	\$316,747
Total actuarial present value of all accrued benefits	\$34,664,464	\$33,808,665	\$31,921,045

These values are based on the actuarial assumptions shown in Section VII--Actuarial Assumptions and Methods of this valuation report, except that the calculation of accrued benefits does not include a salary scale, (if any).

A Statement of changes in total actuarial present value of all accrued benefits is shown in Section IX – Accounting Disclosure Information for SFAS 35 of this valuation report.

¹ Includes the liability of the DROP account balances for those participants currently in the DROP

Section XI-Florida Disclosures

Pension Cost

Actuarial Valuation Prepared as of

	10/01/2008 After Assumption <u>Change²</u>	10/01/2008 Before Assumption <u>Change²</u>	<u>10/01/2007³</u>
Normal Cost:			
Base Normal Cost	2,490,262	\$2,312,811	\$1,748,680
Administrative expenses	55,363	55,363	51,769
Total Normal Cost	2,545,625	\$2,368,174	\$1,800,449
Adjusted Normal Cost ¹	2,872,280	\$2,678,272	\$2,036,207
Payment to amortize unfunded liability(ies)	N/A	N/A	N/A
Expected plan sponsor contribution (including normal cost, amortization payment and interest, as applicable)	2,851,326	\$2,648,913	\$2,008,862
As % of payroll	38.90%	36.14%	35.07%
Amount to be contributed by members ⁴	219,844	\$219,884	\$171,834
As % of payroll	3.00%	3.00%	3.00%

¹ Total normal cost and expected plan sponsor contributions reflect adjustments for salary and interest.

² 10/01/2008 amounts will be used for the 10/01/09 - 9/30/2010 funding.

³ 10/01/2007 amounts will be used for the 10/01/08 - 9/30/2009 funding

⁴ Amount to be contributed by members reflects adjustment for salary increases.

Interest is based on 7.75% for the prior year and before the assumption change for the current year.

Interest is based on 7.50% for the current year after the assumption change.

Plan Year Beginning

	<u>10/01/2007</u>	<u>10/01/2006</u>
Past Contributions		
Required plan sponsor contribution	\$2,054,006	\$2,031,632
Required member contributions	172,612	158,497
Actual contributions made by		
Plan sponsor	\$2,054,006	\$2,031,632
Members	237,852	204,783
Other:	N/A	N/A
Net Actuarial gain(loss) (if applicable)	N/A	N/A

Other Disclosures

Actuarial Valuation Prepared as of

	10/01/2008 After Assumption <u>Change</u>	10/01/2008 Before Assumption <u>Change</u>	<u>10/01/2007</u>
Present values of active members:			
Future salaries			
at attained age	\$54,017,066	\$53,302,838	\$42,074,416
at entry age	35,931,842	35,325,391	26,985,166
Future contributions			
at attained age	1,563,115	1,540,662	1,216,116
at entry age	1,039,775	1,021,043	779,978
Present value of future contributions from other sources			
Present value of future expected benefit payments for active members at entry age	\$5,721,193	\$5,350,492	\$4,203,142

The numerical development of total normal cost for the current plan year is shown in Section V-- Development of Deposit Information of this valuation report.

Three year comparison of actual and assumed salary increases.

<u>Plan Year Beginning</u>	<u>Actual Increases</u>	<u>Assumed Increases</u>
October 1, 2007	17.99%	5.59%
October 1, 2006	2.42%	5.58%
October 1, 2005	4.40%	5.58%

Other Disclosures (Continued)

Changes in costs during the year due to a change in assumptions, cost method, benefits, or other, as specified. See page IX-1 of this report.

Cost of \$1.00/month Benefit on Normal Form

Retirement	Valuation Assumptions		Contract Purchase Rates ¹	
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	135.41	139.46	168.03	185.55
60	125.29	130.47	151.29	171.13
62	120.68	126.36	144.07	164.85

¹ Non-guaranteed rates in effect 10/01/2008. These rates may change daily.

Cost of Annuities Purchased During the Past Year

<u>Certificate Number</u>	<u>Valuation Assumptions</u>	<u>Actual Purchase Price²</u>
---------------------------	------------------------------	--

² Annuities are purchased under this contract for retirees at the time when the “benefit index” equals or exceeds the funds held under the contract or when the contract is terminated. Participants who retired after August 2002 will utilize the direct fund payment method. Under the direct fund method, payments are made monthly from plan assets, therefore purchase rates are not applicable.

Section XI-Florida Disclosures

CITY OF HALLIENDDALE

Valn Date 10/01/2008

Schedule of Active Participant Data

Age	YEARS OF CREDITED SERVICE													
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	Avg. Comp.	Avg. Comp.	Avg. Comp.	
Attained	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	0	0	6	33508	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	5	34167	2	36373	0	0	0	0	0	0	0	0
30 to 34	0	0	4	37410	8	42935	1	42715	0	0	0	0	0	0
35 to 39	0	0	15	36060	6	39944	2	47278	4	51987	0	0	0	0
40 to 44	0	0	11	36598	7	45754	3	42624	2	64769	0	0	0	0
45 to 49	0	0	3	39007	6	42780	5	47700	2	55758	3	63663	2	73832
50 to 54	0	0	3	37469	3	42222	5	57236	10	51668	9	59736	4	62718
55 to 59	0	0	4	27936	2	42281	3	51801	1	54534	3	57574	2	57969
60 to 64	0	0	0	0	1	59773	1	58451	0	0	2	47923	1	55812
65 to 69	0	0	1	69583	2	37265	1	62992	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Asset Reconciliation

Actuarial value of assets balance on October 1, 2007¹	\$29,573,983
Additions	
Contributions	\$2,291,858
Interest and Earnings	\$(4,945,000)
Withdrawals	
Expenses	\$55,363
Lump sum payments	\$89,876
Benefit index and direct fund payments	\$1,652,526
Market Value Spread Adjustment	\$5,695,116
Actuarial value of assets balance on October 1, 2008²	\$30,818,192

¹Included in this total is \$2,331,441 of employee contributions.

²Included in this total is \$2,538,902 of employee contributions.



Principal Life
Insurance Company

December 1, 2008

MARK ANTONIO
CITY OF HALLANDALE BEACH
CITY HALL
400 SOUTH FEDERAL HIGHWAY
HALNDLE BCH FL 33009-6433

RE City Of Hallandale Beach Retirement Plan
Annuity Contract No: 4-45661

Dear Mark

Enclosed is your GASB 25 Financial Accounting Disclosure Report for the year ending September 30, 2008. This report provides the disclosure information needed to comply with the Governmental Accounting Standards Board Statement 25, 40, and 50. You may also wish to forward a copy of this report to your accountant or auditor.

If you decide to modify any numbers shown in this report, please let me know. This allows us to provide accurate information next year.

If you have any questions about this GASB report, please call me at the number listed below.

Sincerely

Andrea Matson
Pension Actuarial Analyst
Retirement Actuarial Services
Phone (515) 362-2364
Fax (866) 704-3481

Enclosure

cc Tom
Relationship Manager – Don Huegerich
Dan Gornick

December 1, 2008

MARK ANTONIO
CITY OF HALLANDALE BEACH
CITY HALL
400 SOUTH FEDERAL HIGHWAY
HALNDLE BCH FL 33009-6433

RE City Of Hallandale Beach Retirement Plan
Annuity Contract No: 4-45661

Dear Mark

I have enclosed your 2008 Actuarial Valuation Report, which provides information you need to determine your pension plan contribution.

Please make checks payable to Principal Life Insurance Company. Be sure to note the 2008 plan year on the check stub or with the correspondence included with each deposit.

If you have any questions about this report, please contact me at the number below. Thank you.

Sincerely

Andrea Matson
Pension Actuarial Analyst
Retirement Actuarial Services
Phone (515) 362-2364
Fax (866) 704-3481

Enclosure

cc Tom
Relationship Manager -- Don Huegerich
Dan Gornick
Cory Weber

Approval #8848112007

Deposit Overview

City of Hallandale Beach Retirement Plan
4-45661

Plan Year Beginning 10/01/2008

This overview is a summary of deposit information shown in your actuarial valuation report. It will help you determine your current year contribution to your retirement plan. You may deposit any amount in excess of your annual required contribution. Refer to your actuarial valuation report, Section III--Deposit Information, for this calculation.

**Annual
Required
Contribution**

Your annual required contribution for the fiscal year beginning 10/01/2009 is \$2,851,326. This is the amount needed to keep your plan currently funded.

The annual required contribution for the fiscal year beginning 10/01/2008 is \$2,008,862 as shown on page II-1 of the 10/01/2005 Actuarial Valuation Report.

**Deposits
Received
for 2008
Plan Year**

Amount

Date Received

\$9,080

10/06/2008

9,133

10/20/2008

9,046

11/04/2008

\$27,259

Deposits received through 11/10/2008

**Additional
Information**

For additional information, please see the 2008 actuarial valuation report.

This statement, which is provided by Principal Life Insurance Company, is complete and accurate according to the best of our knowledge. This statement should be reviewed by the employer for accuracy and agreement with their records.

Governmental Accounting Standards Board Statement 25 (GASB 25), GASB 40, and GASB 50 Information

The City of Hallandale Beach Retirement Plan

GA 4-45661

**Statement of Plan Net Assets
as of September 30**

	<u>2008</u>	<u>2007</u>
Assets:		
Cash (Cash and cash equivalents) Checking/Savings account	\$0.00	\$0.00
Total Cash	\$0.00	\$0.00
Investments		
Insurance contracts at contract value		
Available for nonretired lives	\$0.00	\$0.00
Reserved for retired lives	0.00	0.00
Unallocated Separate Accounts at Fair Value	12,817,089.76	13,419,896.61
Allocated Separate Accounts at Fair Value	13,007,711.30	16,855,813.42
Total Investments	25,824,801.06	30,275,710.03
Total Assets	\$25,824,801.06	\$30,275,710.03
Liabilities:		
Accrued administrative expense	\$0.00	\$0.00
Total Liabilities	\$0.00	\$0.00
Net assets available for benefits	\$25,824,801.06	\$30,275,710.03

The City of Hallandale Beach Retirement Plan

GA 4-45661

Statement of Changes in Plan Net Assets For the Year Ended September 30

	2008	2007
Additions:		
Contributions		
Members' contributions	237,851.66	204,783.47
Employer contributions	2,054,006.00	2,031,632.00
Investment Income		
Contract Investment Income	\$0.00	\$0.00
Dividend Income	0.00	0.00
Net appreciation/(depreciation) in fair value of investments	(4,945,000.25)	3,182,961.15
Other	0.00	0.00
Total additions	\$(2,653,142.59)	\$5,419,376.62
Deductions:		
Pension payments	\$1,742,403.01	\$1,602,002.12
Refund terminated members' contributions	0.00	0.00
Administrative expenses	39,377.61	36,193.10
Fund selection services fee	15,985.76	15,576.29
Transfer to City of Hallandale Beach Professional/Management Plan	0.00	0.00
Total deductions	\$1,797,766.38	\$1,653,771.51
Net increase/(decrease)	\$(4,450,908.97)	\$3,765,605.11
Fund Balance on October 1	\$30,275,710.03	\$26,510,104.92
Fund Balance on September 30	\$25,824,801.06	\$30,275,710.03

The City of Hallandale Beach Retirement Plan

GA 4-45661

Notes To Financial Statements

1. Description of Plan:

A. General

The City of Hallandale Beach Retirement Plan is a single-employer defined benefit pension plan controlled by the provisions of the City Ordinance. The plan is governed by the City of Hallandale Beach which may amend plan provisions, and which is responsible for the management of plan assets. The City of Hallandale Beach has delegated the authority to manage certain plan assets to Principal Life Insurance Company.

B. Plan Membership

As of October 1, 2008 and 2007, the pension plan's membership consisted of:

	<u>2008</u>	<u>2007</u>
Active employees	161	145
Retirees and beneficiaries currently receiving benefits	119	117
Terminated employees entitled to benefits but not yet receiving them	68	72
Total	348	334

C. Benefit Provisions

As of October 1, 2008, the pension plan provides for retirement and other benefits as shown in Appendix I of this report. The participants who have elected the DROP are listed as terminated participants.

2. Summary of Significant Accounting Policies:

A. Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Notes To Financial Statements-Continued

2. Summary of Significant Accounting Policies: (continued)

B. Valuation of Investments

The pension plan's separate accounts are valued at fair value.

C. Contributions

Active members are required to contribute 3% of monthly compensation to the plan. Any remaining obligation with respect to the pension plan shall be paid by the employer.

Investment expenses, including investment manager and custodial services, are funded through investment earnings.

Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

D. Investments That Represent Five Percent or More of Net Assets Available For Benefits

At September 30, 2008, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent or more of net Assets available for benefits ($\$25,824,801.06 \times .05 = \$1,291,240.05$):

Principal Financial Group	\$25,824,801.06
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Notes To Financial Statements-Continued

2. **Summary of Significant Accounting Policies: (continued)**

E. Deposits And Investments

The Governmental Accounting Standards Board in Statement No. 3 (GASB 3), as amended by Governmental Accounting Standards Board in Statement No. 40 (GASB 40) requires state and local governments to disclose certain risks associated with the plan's deposits and investments.

Deposits

At September 30, 2008, the plan held no deposits.

Interest Rate Risk. At September 30, 2008, the city had the following investments. Amounts are shown in dollars. Modified duration is shown in years.

	Fair Value	Effective Duration
<u>Fixed Income Investment Options</u>		
General Account at contract value	\$0.00	5.31
Principal Bond and Mortgage Separate Account	7,792,478.63	4.49
Principal Government & High Quality Bond Separate Account	0.00	3.64
Principal Inflation Protection Separate Account	1,725,770.16	4.35
Principal High Yield I Separate Account	1,483,740.35	3.90
Principal Ultra-Short Bond Separate Account	0.00	0.63
Principal Short-Term Bond Separate Account	0.00	1.67
Principal High Quality Intermediate-Term Bond Separate Account	0.00	4.33
Principal Preferred Securities Separate Account	309,304.43	5.66
Principal Ultra Long Bond Separate Account	0.00	14.47
Principal Money Market Separate Account	0.00	0.12 ¹
U.S. Property Separate Account	1,556,704.93	²
Total Fair Value of Fixed Income Investment Options	\$12,867,998.50	
Other Investments	12,956,802.56	
Total Investments	\$25,824,801.06	

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center or the Principal Retirement Service Center at www.Principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

Credit Risk. Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

¹ Principal Money Market Separate Account is shown in average weighted maturity.

² U.S. Property Separate Account is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Therefore, an effective duration is not calculated.

Required Supplementary Information

Schedule of Funding

Historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical information required to be disclosed, beginning as of October 1, 2003 is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL As a % of Payroll [(2) - (1)]/(5)
10/01/2003	\$22,396,706	\$22,396,706	\$0	100%	\$4,662,166	0%
10/01/2004	22,190,248	22,190,248	0	100%	5,067,394	0%
10/01/2005	24,204,459	24,204,459	0	100%	5,032,125	0%
10/01/2006	26,662,750	26,662,750	0	100%	5,481,825	0%
10/01/2007	29,573,983	37,840,772	8,266,789	78%	5,457,139	151%
10/01/2008	30,818,192	42,953,783	12,135,591	72%	6,983,097	174%

Actuarial Value of Assets differs from Total Assets shown on page 1 due to the spreading of market value for plan assets, adjustment for estimated DROP account balances, and transfers to and from the City of Hallandale Beach Professional/Management plan.

Prior to the adoption of GASB 50, GASB 25 and 27 defined the Actuarial Accrued Liability under the Aggregate method to be equal to the Actuarial Value of Assets. Subsequent to the adoption of GASB 50 for periods beginning after June 15, 2007, funded status information is prepared using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the accrued liability as a factor. (See page 8 for Significant Factors Affecting Schedules.)

Analysis of the dollar amount of the actuarial value of assets, accrued liability and unfunded (assets in excess of) accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the accrued liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) accrued liability and annual covered payroll are both affected by inflation. Expressing unfunded (assets in excess of) accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the accrued liability, the higher the bracketed percentage, the stronger the plan.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

Required Supplementary Information-Continued

Schedule of Employer Contributions

The following table provides an analysis of funding progress for the last six years:

Plan Year End	Annual Required Contribution	Actual Contribution	Percentage Contributed
09/30/2003	\$503,506	\$504,000	100%
09/30/2004	584,492	584,492	100%
09/30/2005	1,706,418	1,706,418	100%
09/30/2006	1,959,212	1,959,212	100%
09/30/2007	2,031,632	2,031,632	100%
09/30/2008	2,054,006	2,054,006	100%

Required Supplementary Information-Continued

Notes To Required Schedules

A. Actuarial Assumption And Methods

The actuarial accrued liability was determined as part of an actuarial valuation at October 1, 2008, the most recently filed actuarial valuation report.

This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method described in Appendix II, III, and IV.

The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities. There is no amortization in the calculation of Annual Required Contribution.

B. Significant Factors Affecting Schedules

The following changes affect the comparability of costs since the October 1, 2002 plan year.

<u>Actuarial Valuation Date</u>	<u>Reason(s)</u>	<u>Change in Actuarial Accrued Liability</u>
10/01/2002	Assumption & Method	\$(141,817)
10/01/2007	Benefit Change	549,299
10/01/2008	Assumption Change	1,131,979

Appendix I Summary of Plan Provisions

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

Plan Eligibility

Age:	Not attained age 60.
Service:	One year of service.
Class:	Any employee of the employer considered to be a general employee by the employer, not a policeman, fireman, or manager, that works more than 37.5 hours per week and is considered to be on a full-time basis. Lawrence Faragher, Jorge Fernandini, and Mary Washington will be included in this group regardless of their management status. Must agree to make required contributions. Effective 10/01/2007 non-bargaining employees will not become or again become active participants.

Normal Retirement Benefit

Age:	Attained age 60.
Form:	Monthly annuity with benefits received guaranteed to be at least equal to the employees' accumulation on normal retirement date (optional forms may be elected prior to retirement).
Amount (accrued benefit):	73% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for bargaining employees. 75% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for non-bargaining employees. This amount will be reduced for each full or partial year that his/her spouse is eligible for the qualified preretirement survivor annuity before the earlier of the date he/she becomes inactive or reaches normal retirement date. For each year of coverage the reduction is .25%. The accrued benefit will be reduced if an active participant has not made all of his/her required contributions.

Early Retirement Benefit

Age:	Attained age 55
Service:	Twenty years of service.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on early retirement date reduced by 6 2/3% for each year up to five that the early retirement date precedes normal retirement date.

Late Retirement Benefit

Age:	No maximum age.
Form:	Same as normal retirement benefit.
Amount:	The greater of (a) or (b): (a) Accrued benefit as of normal retirement date increased to reflect that payment begins at a later date. (b) Accrued benefit on late retirement date.

Termination Benefit

Vesting percentage:	20% after three years of vesting service plus 20% per year thereafter, up to 100%.
Form:	Same as normal retirement benefit with income deferred until normal retirement.
Amount:	Equal to the sum of: (a) The amount of retirement annuity which could be purchased on his normal retirement date by the participant's accumulation. (b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above.

At any time on or after termination, the participant may elect to receive his/her participant's accumulation in cash in lieu of any and all retirement benefits.

Medical Premium Benefit:

Eligibility	Active participant
Amount:	An annual benefit of \$120 times years of service (maximum 20 years). Any non-bargaining employee hired after 01/01/1996 will not be eligible for this benefit.

Deferred Retirement Option Plan:

Eligibility	An active participant first becomes eligible to elect the DROP upon becoming eligible for early or normal retirement. A post-dated written letter of resignation fully binding upon the member is also required.
Election:	An election to participate in the DROP shall be forfeited if not exercised within 90 days immediately prior to member's eligibility to enter the DROP. Those members eligible to participate in the DROP prior to its effective date (October 1, 2000) shall have a period of 90 days from the effective date to elect participation in the DROP. The period of participation in the DROP cannot exceed a period of five years and/or age 67.
Form:	While the employee is in the DROP the pension benefit payments will be made to the DROP account as if the member had terminated employment and elected to receive monthly benefits payable in an amount as determined by the retirement option selected by the member . Payments to the DROP will earn or lose interest at the same rate and frequency as the pension fund, minus .5% for administrative cost. Payment options are lump sum, installments or an annuity.
Amount:	After the commencement of participation in the DROP, no additional service under the retirement plan will be credited and all calculations for average compensation will be based on the years preceding the commencement of participation in the DROP. Otherwise the DROP benefit will be based on the normal retirement benefit formula. Upon termination of employment, the member will receive the balance of the DROP account either immediately or he/she may defer payment until the latest day permitted under the minimal distribution requirements of section 401(a)(9) of the Internal Revenue Code.

Contributions

Participant:	3% of monthly compensation.
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Early Retirement Window

Participants who were age 55 with 20 years of service on November 1, 2003 were given the option to retire early with their expected benefit at normal retirement date unreduced for early retirement with no accrued benefit adjustment applied. The last date to exercise this option was 12/22/2003.

Death Benefits:

If not waived, the greater of A. or B.:

A. Lump sum death benefit

Form: Lump sum.

Amount: Participant's accumulation.

B. Death benefit

Age: Attained age 55.

Service: Twenty years of service.

Form: Monthly annuity payable to spouse.

Amount: The amount that would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

Definitions

Average compensation: The monthly average of compensation received for the last three years of employment (all years if less than three).

Short service percentage: The percentage obtained by dividing the number of complete months of service between a participant's date of employment and normal retirement date by 180 (maximum 100%).

Accrued benefit adjustment: The quotient of the number of complete months of service as of a given date divided by the number of complete months of service as of normal retirement date.

Required contribution account: Total of participant's required contributions with interest, less any previously paid out contributions. Interest shall be credited in each year at a rate of 3% per annum compounded annually.

Actuarial Valuation Assumptions

	<u>10/01/2008</u>	<u>10/01/2007</u>																																								
Valuation Interest (net of investment expenses)																																										
Preretirement	7.50%	7.75%																																								
Postretirement	7.50%	7.75%																																								
Interest Rate For Employee Accumulations	3.00%	3.00%																																								
Mortality																																										
Preretirement	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																								
Postretirement	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																								
Expenses	A dollar estimate of administrative expenses is included in normal cost.	A dollar estimate of administrative expenses is included in normal cost.																																								
Salary Scale	Table S-5 from the Actuary's Pension Handbook plus 3.30%.	Table S-5 from the Actuary's Pension Handbook plus 3.30%.																																								
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Retirement Age	Normal retirement age as defined in Summary of Plan Provisions.	Normal retirement age as defined in Summary of Plan Provisions.																																								
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.	1987 Commissioner's Group Disability Table, six month elimination period, male and female.																																								
Marriage	75% married; male is 3 years older than the female.	75% married; male is 3 years older than the female.																																								

Appendix II Actuarial Assumptions

Withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75																																								
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Accumulated Leave	None	None																																								
Medical Stipend	Assume all eligible continue to receive medical stipend.	Assume all eligible continue to receive medical stipend.																																								

The actuarial valuation assumptions used in this report differ from those used in the previous report. This year we updated the valuation interest assumption. This assumption was changed to better reflect the anticipated experience of your plan.

Actuarial Methods

	<u>10/01/2008</u>	<u>10/01/2007</u>
Actuarial cost method	Aggregate	Aggregate
Actuarial value of assets		
Principal Life Insurance Company accounts		
FPI grouped accounts	Market value is adjusted by spreading the expected value minus the actual value over four years.	Market value is adjusted by spreading the expected value minus the actual value over four years.
Deposits after the plan year end	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.
Retirees	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.
Deferred Retirement Option Plan (DROP) liability and assets	Participants who are participating in the Deferred Retirement Option Plan but who have not terminated employment are included in the valuation as retired participants. The future stream of benefit payments are valued as a liability to the plan. The DROP account balances are tracked and will be added to the actuarial value of liabilities for valuation purposes as well. The actuarial value and market value of assets will reflect the total assets of the plan including the DROP account balances.	Participants who are participating in the Deferred Retirement Option Plan but who have not terminated employment are included in the valuation as retired participants. The future stream of benefit payments are valued as a liability to the plan. The DROP account balances are tracked and will be added to the actuarial value of liabilities for valuation purposes as well. The actuarial value and market value of assets will reflect the total assets of the plan including the DROP account balances.

Description of Actuarial Cost Method Aggregate

Ultimate Cost

The ultimate cost of your pension plan is:

- Benefit payments
- Plus expenses
- Less investment income

This cost can't be determined until the last benefit has been paid. Regardless of which actuarial cost method is used, the ultimate cost remains the same.

Cost Methods

A cost method is a budgeting tool. It helps to ensure that your pension plan is adequately and systematically funded. Cost methods differ based on how they assign an annual cost to the current year and how they treat gains and losses.

Normal Cost

The portion of cost assigned to each year is called the normal cost. The normal cost may be shared by the employer and the employees based on plan provisions.

Aggregate

The aggregate cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Normal cost is determined by reducing the total cost of projected benefits by plan assets. This amount (the present value of future normal costs) is then spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related.

Actuarial Gains/Losses

An actuarial gain or loss occurs when actual plan experience differs from what was assumed. The actuarial gain or loss is not calculated separately, but is reflected in the calculation of normal cost. A gain decreases normal cost and a loss increases normal cost. Normal cost will vary based on how plan experience compares to what was assumed.