

January 6, 2010

PERSONAL & CONFIDENTIAL
MARK ANTONIO
CITY OF HALLANDALE BEACH
CITY HALL
400 SOUTH FEDERAL HIGHWAY
HALLANDALE BEACH FL 33009-6433

RE City Of Hallandale Beach Professional/management Retirement Plan
Annuity Contract No: 4-47771

Dear Mark

I have enclosed your 2009 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 2009 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 Don Huegerich - Relationship Manager
Dan Gornick
Cory Weber

Approval #8848112007

Deposit Overview

City of Hallandale Beach
Professional/Management Retirement Plan
4-47771

Plan Year Beginning 10/01/2009

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 10/01/2010 is **\$1,051,450**. This is the amount needed to keep your plan currently funded.

**Deposits
Received
for 2009
Plan Year**

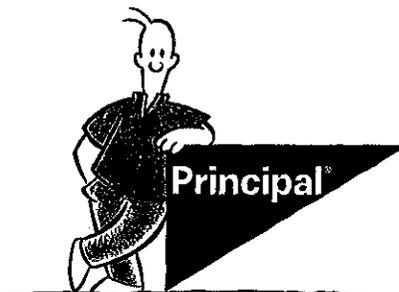
<u>Amount</u>	<u>Date Received</u>
\$6,465	10/06/2009
5,653	10/19/2009
6,093	11/02/2009
5,594	11/19/2009
6,108	11/30/2009
5,676	12/16/2009
200,711	12/21/2009
6,110	12/31/2009
\$242,410	Deposits received through 01/05/2010

**Additional
Information**

For additional information, please see the 2009 actuarial valuation report.

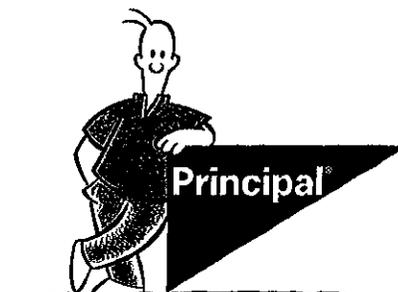
**City of Hallandale Beach Professional/Management
Retirement Plan
4-47771**

Actuarial Valuation Report
For the plan year October 1, 2009 through
September 30, 2010



WE'LL GIVE YOU AN EDGESM

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Section II	Summary of Actuarial Results
Section III	Deposit Information Normal Cost and Deposit Levels
Section IV	Plan Assets
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WE'LL GIVE YOU AN EDGESM

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.



01/05/2010

David A. Stocklas, EA, MAAA
Consulting Actuary

Retirement Actuarial Services
Principal Financial Group
U.S. Steel Tower, 600 Grant Street, Suite 1245
Pittsburgh, PA 15219-2712
412 394-9380
Stocklas.Dave@principal.com

Section II-Summary of Actuarial Valuation Results

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

- Annual required contribution for the plan year ending 09/30/2011
- 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	\$772,490
Employee normal cost (expected employee contributions)	136,795
Employer normal cost	635,695
Total normal cost as a percentage of member compensation	44.24%
Annual required contribution	1,051,450

Funding Policy

The funding policy the City adopted is to use the October 1, 2009 Valuation for the City's fiscal year period from October 1, 2010 through September 30, 2011. The October 1, 2009 funding requirements were adjusted to accrue for interest and salary increases at assumed salary scale and interest factors.

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 \$1,051,450	➤ Increase your next year's annual required contribution.
Exactly \$1,051,450	➤ Meet your annual required contribution.
More than \$1,051,450	➤ Exceed your annual required contribution. ➤ Decrease next year's annual required contribution.

Section II-Summary of Actuarial Valuation Results

Deposits Received

We have received the following current plan year deposits as of 01/05/2010:

<u>Amount</u>	<u>Date Received</u>
\$6,465	10/06/2009
5,653	10/19/2009
6,093	11/02/2009
5,594	11/19/2009
6,108	11/30/2009
5,676	12/16/2009
200,711	12/21/2009
6,110	12/31/2009
\$242,410	Total

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

Plan Changes

Effective 01/01/2007 no employee shall become or again become an active participant.

Any participant who enters the DROP on or after 10/01/2008, and who elects to be credited with the actuarial valuation assumption for current valuation interest, the election will be limited to a period not to exceed the DROP period.

These changes had no immediate cost impact to the plan.

Assumption Change

While completing this valuation, we reviewed the actuarial assumptions. This report includes a change in the salary scale assumption. This assumption was increased to reflect past experience and the expected level of future salary increase.

The assumptions used are shown in Section VII. We redetermined plan liabilities as of the start of the plan year for the assumption changes. See Section IX for the effects of this change.

Analysis

Total normal cost as a percentage of compensation increased from 30.99% to 44.24%. This increase resulted from less than expected return on plan assets, greater than assumed salary increases, and the assumption change discussed above. Partially offsetting this increase was a decrease due to greater than assumed participant withdrawal.

Section II-Summary of Actuarial Valuation Results

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 III-Deposit Information

Normal Cost

	For Fiscal Year Beginning <u>10/01/2010</u>¹	For Fiscal Year Beginning <u>10/01/2009</u>¹
Total normal cost	\$772,490	\$593,008
Employee normal cost (expected employee contributions)	136,795	161,452
Employer normal cost	635,695	431,556
Annual member compensation ²	1,746,325	1,913,383
Total normal cost as a percentage of member compensation	44.24%	30.99%

Deposit Levels

	For Fiscal Year Beginning <u>10/01/2010</u>¹	For Fiscal Year Beginning <u>10/01/2009</u>¹
Annual Required Contribution		
a) Employer normal cost	\$635,695	\$431,556
b) Amortization amounts	348,902	322,549
c) Valuation interest to the end of the plan year on a and b	76,306	58,443
d) 20 year amortization of credit balance	8,773	9,005
e) Valuation interest to the end of the plan year on d	680	698
f) Annual required contribution (a+b+c-d-e)	\$1,051,450	\$802,845

This minimum deposit is in addition to employee contributions.

¹ Costs based on prior plan year valuation adjusted for assumed salary scale increase and interest to reflect that it applies for the upcoming fiscal year contributions.

² Projected compensation.

Section IV-Plan Assets

	<u>Actuarial Value</u>	<u>Market Value</u>
Principal Life Insurance Company Accounts		
Flexible Pension Investment (FPI) grouped accounts	\$9,600,210	\$7,921,579
Adjusted Actuarial Value	\$9,505,895	

The assets used in this valuation have been adjusted to \$9,505,895 to fall within the corridor limits defined by the cost method of 80% to 120% of market value.

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 10/01/2008 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>
\$179,855.00	01/12/2009
179,855.00	04/20/2009
179,855.00	07/06/2009
179,853.00	09/28/2009
\$719,418.00	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 10/01/2008	\$7,629,178
b)	Contributions/transfers	879,422
c)	Benefit payments	(326,076)
d)	Expenses	(20,398)
e)	Expected interest on (a, b, c, and d)	602,480
f)	Expected value of assets as of 10/01/2009 (a+b+c+d+e)	\$8,764,606
g)	Market value of assets as of 10/01/2009	\$7,921,579
h)	Current year excess appreciation/(shortfall) (g-f)	(843,027)
i)	Adjustment to market value (sum of deferred amounts)	(1,678,631)
j)	Actuarial value of assets (g-i)	\$9,600,210

Allocation of Deferred Appreciation

Allocation	Plan Year			
<u>Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2006	\$22,549			
2007	22,549	\$97,271		
2008	22,549	97,271	\$(571,817)	
2009	22,549	97,271	(571,817)	\$(210,757)
2010		97,271	(571,816)	(210,757)
2011			(571,816)	(210,757)
2012				(210,756)
Total	\$90,196	\$389,084	\$(2,287,266)	\$(843,027)
Deferred	\$0	\$97,271	\$(1,143,632)	\$(632,270)
Adjustment to market value (sum of deferred amounts)				\$(1,678,631)

Section V-Development of Deposit Information

Development of Normal Cost

a) Present value of projected benefits	
Active members	\$13,994,393
Inactive members	2,071,805
Retired members	2,562,683
Total	\$18,628,881
b) Unfunded frozen initial liability	3,602,389
c) Actuarial value of assets	9,505,895
d) Present value of future normal costs (a-b-c)	5,520,597
e) Present value of future compensation	13,869,234
f) Current annual compensation	1,633,301
g) Normal cost (d+e×f)	650,129
h) Estimated expenses	20,399
i) Total normal cost (g+h)	\$670,528

Development of Normal Cost for fiscal year ending 09/30/2011

a) Total normal cost for 10/01/2009 plan year (line i above)	\$670,528
b) Adjustment for salary increase (1.0692%)	46,400
c) Adjustment for interest (1.0775%)	55,562
d) Total Normal Cost for 9/30/2011 FYE	772,490
e) Employee Normal Cost	136,795
f) Employer Normal Cost (d-e)	\$635,695

Section V-Development of Deposit Information

Schedule of Amortization Bases

Your cost method allocates a portion of plan funding to be amortized in equal annual installments, rather than to be paid through future normal costs. The minimum period over which the bases are amortized are described by law or regulations.

<u>Date Created</u>	<u>Reason</u>	<u>Remaining Period (Years)</u>	<u>Outstanding Balance</u>	<u>Minimum Annual Amortization</u>
10/01/2001	Benefit change	22.00	\$1,565,712	\$139,646
10/01/2004	Benefit change	25.00	690,502	52,509
10/01/2004	Assumption change	5.00	110,038	21,351
10/01/2005	Benefit change	26.00	1,009,688	84,800
10/01/2006	Assumption change	7.00	167,493	29,602 ¹
10/01/2009	Assumption change	10.00	153,515	20,994
	Total		\$3,696,948	\$348,902

¹ Adjustment made to correct an error in the prior year.

Section V-Development of Deposit Information

Unfunded Frozen Initial Liability

a) Unfunded frozen initial liability (as of 10/01/2008)	\$3,514,053
b) Changes made during the plan year	0
c) Employer normal cost (as of 10/01/2008)	354,432
d) Interest on the above items	299,807
e) Total (a+b+c+d)	\$4,168,292
f) Employer contributions	\$719,418
g) Interest on employer contributions	0
h) Total (f+g)	\$719,418
i) Adjustment due to ERISA full funding credit	\$0
j) Unfunded frozen initial liability (as of 10/01/2009) (e-h-i)	\$3,448,874
k) Increase due to an assumption change	153,515
l) Redetermined unfunded frozen initial liability (as of 10/01/2009) (j+k)	\$3,602,389

Section V-Development of Deposit Information

Funding Standard Account for the Plan Year Beginning 10/01/2008 and Ending 09/30/2009

The funding standard account is defined in Section 412 of the Internal Revenue Code. It is used to measure the funding adequacy of your pension plan. An accumulated credit balance shows that funding has been adequate to meet legal requirements. An accumulated funding deficiency should not be allowed to develop as it is subject to the penalty of an excise tax. To prevent a deficiency, your contribution should be at least equal to the minimum deposit shown in this report.

Charges to the Funding Standard Account

a) Accumulated funding deficiency - last valuation date	\$0
b) Employer normal cost - last valuation date	354,432
c) Amortization charges	322,549
d) Interest on the above items	52,466
e) Additional funding requirement	0
f) Required installment interest charge	0
Total Charges	\$729,447

Credits to the Funding Standard Account

a) Accumulated credit balance - last valuation date	\$97,065
b) Employer contributions - last valuation date	719,418
c) Amortization credits	0
d) Interest on the above items	7,523
e) Full funding credit with interest	0
Total Credits	\$824,006

Accumulated Credit Balance **\$94,559**

The outstanding balance of amortization bases as of the beginning of the current plan year, \$3,696,948, less the credit balance, \$94,559, is the unfunded frozen initial liability as of the beginning of the plan year, \$3,602,389.

Section VI-Participant Information

Census Data

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

<u>Age Group</u>	<u>Active Participants</u>		<u>Inactive Participants</u>	
	<u>Number</u>	<u>Projected Monthly Pension</u> ¹	<u>Number</u>	<u>Monthly Pension</u>
Under 25				
25 - 29				
30 - 34	4	\$53,136	1	\$547
35 - 39	2	17,621	1	601
40 - 44	4	29,472	1	
45 - 49	4	13,879	3	1,995
50 - 54	5	51,019	3	5,962
55 - 59	3	6,455	1	
60 - 64	2	2,063	2	3,312
65 & over	1	1,442		
Totals	25	\$175,087	12	\$12,417

¹ Projected monthly pension was calculated on the assumption that employees would experience annual compensation increases. This also includes the projected medical stipend for those participants still eligible for this benefit.

Included in the inactive participants are 6 participants who are in the DROP plan and 3 participants who have employee contributions only.

<u>Retired Participants</u>		
<u>Age Group</u>	<u>Number</u>	<u>Monthly Benefit</u>
Under 40		
40 - 44		
45 - 49	2	\$3,063
50 - 54		
55 - 59	3	2,377
60 - 64	3	10,017
65 - 69	1	604
70 - 74		
75 - 79		
80 - 84		
85 & over		
Totals	9	\$16,061

Section VI-Participant Information

Emerging Retirement Liability (Reflects IRC Section 415 benefit limitations)

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. As of the current anniversary date, this amount is \$7,921,579.

<u>Plan Year Beginning</u>	<u>Number Retiring</u>	<u>Projected Monthly Benefit</u>	<u>Expected Charge to Assets</u>	<u>Cumulative Charges</u>
10/01/2009	9	\$17,586	\$403,756	\$403,756
10/01/2010	3	11,808	552,847	956,603
10/01/2011	2	5,506	629,295	1,585,898
10/01/2012	2	5,883	711,797	2,297,695
10/01/2013	2	18,895	952,093	3,249,788
10/01/2014	2	4,460	1,023,974	4,273,762
10/01/2015	1	0	1,043,774	5,317,536
10/01/2016	1	1,428	1,081,105	6,398,641
10/01/2017	1	3,367	1,142,451	7,541,092
10/01/2018	1	4,103	1,213,856	8,754,947

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 or in the DROP. We have assumed that retired participants will live and receive benefits until the end of this display. We have also assumed that the retired participants will receive a 2% cost of living adjustment each year.

This display includes 9 retirees who are already receiving benefits. It is assumed that three of them (David Pritchard, Randolph Intindola, and Frank Durkin) will not receive a cost of living benefit from this plan. Randolph Intindola and Frank Durkin's total COLA is paid under the excess plan.

This only reflects benefits payable from this plan, which may be limited by benefit limitations imposed by IRC Section 415. Benefits in excess of the 415 limitations will be paid from the unfunded excess benefit plan you have established and estimated payments are shown in Section VI-3.

Section VI-Participant Information

Emerging Retirement Liability (Reflects Excess Benefits.)

This page is provided to help you evaluate your asset liquidity needs.

<u>Plan Year</u> <u>Beginning</u>	<u>Number</u> <u>Retiring</u>	<u>Projected</u> <u>Monthly Benefit</u>	<u>Expected</u> <u>Charge to Assets</u>	<u>Cumulative</u> <u>Charges</u>
10/01/2009	3	\$7,763	\$498,104	\$498,104
10/01/2010	0	0	508,066	1,006,170
10/01/2011	1	54	518,875	1,525,046
10/01/2012	1	19	529,481	2,054,527
10/01/2013	1	230	542,831	2,597,357
10/01/2014	0	0	553,687	3,151,044
10/01/2015	0	0	564,761	3,715,805
10/01/2016	0	0	576,056	4,291,861
10/01/2017	0	0	587,577	4,879,439
10/01/2018	0	0	599,329	5,478,767

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.

This display includes 7 retirees who are already receiving benefits. It is assumed that one of them (David Pritchard) will not receive a cost of living benefit.

Expected charge to assets is an estimate of the total monthly benefits payable from the excess plan. This display assumes new retirements at the beginning of the plan year and includes charges for those already retired or in the DROP. We have assumed that retired participants will live and receive benefits until the end of this display. We have also assumed that future retired participants will receive a 2% cost of living adjustment each year.

Section VII-Actuarial Assumptions and Methods

Actuarial Valuation Assumptions

	<u>10/01/2009</u>	<u>10/01/2008</u>																																								
Valuation Interest (net of investment expenses)																																										
Preretirement	7.75%	7.75%																																								
Postretirement	7.75%	7.75%																																								
Interest Rate For Employee Accumulations	3.53%	3.53%																																								
Mortality																																										
Preretirement	None.	None.																																								
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 5.30%.	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>10.40%</td> <td>40</td> <td>8.02%</td> </tr> <tr> <td>25</td> <td>9.48%</td> <td>45</td> <td>7.69%</td> </tr> <tr> <td>30</td> <td>8.87%</td> <td>50</td> <td>7.42%</td> </tr> <tr> <td>35</td> <td>8.41%</td> <td>55</td> <td>7.18%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Increase</u>	<u>Age</u>	<u>Increase</u>	20	10.40%	40	8.02%	25	9.48%	45	7.69%	30	8.87%	50	7.42%	35	8.41%	55	7.18%	<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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Retirement Age	Normal retirement age as defined in Summary of Plan Provisions. For those participants who have elected to purchase additional accrual service, we are assuming that they will not retire until they can receive those years' credited service.	Normal retirement age as defined in Summary of Plan Provisions. For those participants who have elected to purchase additional accrual service, we are assuming that they will not retire until they can receive those years' credited service.																																								

Section VII-Actuarial Assumptions and Methods

Disability	None.	None.
Marriage	75% married; male is 3 years older than the female.	75% married; male is 3 years older than the female.
Withdrawal	None.	None.
Cost of Living	2% per year	2% per year

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

Section VII-Actuarial Assumptions and Methods

Actuarial Methods

	<u>10/01/2009</u>	<u>10/01/2008</u>
Actuarial cost method	Entry age normal-frozen initial liability	Entry age normal-frozen initial liability
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 (must be within 20% of market value).	Market value is adjusted by spreading the expected value minus the actual value over four years (must be within 20% of market value).
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 whose benefits are not guaranteed by your contract are included in your valuation.	Assets and liabilities for retirees whose benefits are not guaranteed by your contract 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 inactive 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 inactive 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 Entry Age Normal - Frozen Initial Liability

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.

Entry Age Normal - Frozen Initial Liability

The entry age normal-frozen initial liability 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.

Costs are spread evenly from a member's date of hire to assumed retirement age. There are some accumulated costs for past years that have not been paid on your plan's effective date. The value of these past costs is called the frozen initial liability (FIL). In the following years, the FIL is reduced by employer deposits in excess of the employer normal cost and interest. This reduced amount is the unfunded frozen initial liability (UFIL). Both the FIL and UFIL are adjusted when there are plan or assumption changes (a liability base is created).

Normal Cost is determined by reducing the total cost of projected benefits by plan assets and the UFIL. This net amount is the present value of future normal costs. It is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount, if not salary related. The UFIL is funded by amortizing each liability base over a separate period in accordance with the Internal Revenue Code.

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 VII-Actuarial Assumptions and Methods

Special Situations

The following table outlines how costs are determined under some special situations.

If	Then
Total normal cost or UFIL is less than \$0	We attempt to reestablish the UFIL under the entry age normal cost method. The UFIL is equal to liabilities less assets, but not less than \$0.
An attempt to reestablish the UFIL results in a UFIL less than \$0	We temporarily change to the aggregate cost method.
Temporarily on the aggregate cost method when a plan or assumption change occurs	We reestablish the UFIL if the result is greater than \$0.
Assets exceed the present value of all projected benefits	Your total normal cost is \$0.

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

Class: Professional/Management class, as determined by the personnel resource system and approved by the City Manager and elected officials subject to provisions of Chapter 112.048, Florida Statutes.

Must agree to make required contributions as a condition of employment.

Effective 01/01/2007 no employee shall become or again become an active participant.

Normal Retirement Benefit

Age: Attained age 52 with 10 years of professional/management service with employer.

Attained age 60 with 4 years of professional/management service with employer.

25 years of professional/management service with employer.

Form: Ten years certain and life.

Amount (accrued benefit): The product of (a) and (b):

(a) An amount equal to 3.2% of average compensation.

(b) Accrual service on such date, plus additional accrual service, if any.

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 0.25%.

Maximum Benefit

Accrued benefit shall not be more than 80% of average compensation.

Section VIII-Summary of Plan Provisions

Early Retirement Benefit

Age:	Attained age 45.
Service:	Ten years of professional/management service with employer.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on early retirement date reduced by 6% for each year up to five that early retirement date precedes normal retirement date.

Late Retirement Benefit

Age:	No maximum age.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on late retirement date. The accrued monthly benefit on normal form should not be less than his/her monthly benefit on the normal form which is the actuarial equivalent of his salary reduction contribution account on such date.

Section VIII-Summary of Plan Provisions

Deferred Retirement Option Plan

Eligibility	An active participant first becomes eligible to elect the DROP upon becoming eligible for normal retirement or the date the participant reaches 80%.
Election:	An election to participate in the DROP shall constitute an irrevocable election to resign from the service of the employer not later than 60 months after commencement of DROP participation. All participants in the DROP shall be given 45 days in which to consider the terms of the DROP agreement and, after election to participate shall have seven calendar days following execution to revoke said agreement to receive the full five years of participation.
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 administrative cost, or if elected by participant on DROP entry the rate of return assumption made annually by the plan's actuary to perform an actuarial valuation. Payment options are lump sum, periodic payment, an annuity, a combination or a rollover to another qualified retirement plan, including an individual retirement account.
Amount:	At the time of a participant's entry into the DROP, the participant's accrual service, accrued benefit and average compensation shall be calculated as if the participant had actually retired from service. There shall be no further required contributions by participants after entry into the DROP. No additional accrual service shall be earned after entry into the DROP. Any changes in plan benefits shall not apply to participants in the DROP, unless otherwise applicable to retired participants of the plan.

Disability Benefit

Service:	10 years of professional/management service.
Form:	Monthly income payable until death, or recovery.
Amount:	Accrued Benefit on date of disability offset by any Social Security Disability benefit.

Section VIII-Summary of Plan Provisions

Termination Benefit

Vesting percentage:	100% after four years of vesting service.
Form:	Same as normal retirement benefit with income deferred until normal retirement date.
Amount:	Equal to the sum of: (a) The amount of retirement annuity which is the actuarial equivalent of his/her salary reduction contribution account. (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 accumulation in cash in lieu of any and all retirement benefits.

Medical Stipend

Eligibility:	Participant who actively retires from plan and was hired on or before 01/01/1996.
Amount:	An annual benefit of \$120 times years of service (maximum 20 years).

Cost of Living Adjustment

Amount:	Adjustment to the retirement benefit of up to 2% per year if the Consumer Price Index is 0.5% or greater the immediate preceding year.
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Section VIII-Summary of Plan Provisions

Death Benefits

The greater of A. or B.:

A. Single Sum Death Benefit

Form:

Lump sum.

Amount:

Participant's salary reduction contribution account.

B. Survivor Annuity Death Benefit

Eligibility:

Participant has attained age 45 and completed 10 years of professional/management service with the employer.

Participant is survived by spouse to whom he/she was continuously married throughout the one-year period ending on the date he dies.

Vesting percentage or salary reduction contribution account on the date of death is greater than zero.

Active participant that has not waived the Preretirement Survivor Annuity.

Form:

Monthly annuity payable to spouse.

Amount:

If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

Salary Reduction Contributions

Vesting percentage:

100% immediately.

Amount:

7% of monthly compensation.

Definitions

Compensation:

Total amount paid to an employee, excluding accumulated leave pay, but including assignment and longevity pay.

Average compensation:

The average of an employee's monthly compensation for their last two compensation years, (all if less than two).

Section VIII-Summary of Plan Provisions

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.

Additional accrual service: The total of an employee's additional service to be credited beginning in the 16th year of professional/management service with the employer as described below:

(a) An active participant shall have the option of purchasing up to 5 years of additional accrual service, which shall be calculated in the form of an enhanced multiplier. In order to qualify for this option, the participant must have been employed as a professional/management employee for at least one year.

(b) Employees must exercise this option within 90 days after completion of one year of professional/management service.

(c) An active participant who has elected this option shall contribute for each year of enhanced multiplier purchased. The amount shall be based upon actuarial factors determined by the city. Such contribution may be made in a single-sum or over a period not to exceed 10 years, and may be made as a direct transfer from an IRC Section 403(b) or 457 plan.

All such contributions must be made by the earliest of (i) the date the participant has completed 11 years of service with the employer, (ii) the date of entry into the Deferred Retirement Option Plan, or (iii) his/her retirement date.

However, additional accrual service is modified as follows:

If a participant who purchased an enhanced multiplier year(s) does not reach his 16th, 17th, 18th, 19th and/or 20st year of professional/management service with the employer, the contributions made by such participant for the applicable year(s) shall be returned to him with interest compounded annually at 4%, and the enhanced multiplier for such year(s) shall be cancelled in accordance with the following schedule:

Years of Professional/Management Service Completed	Contributions Returned	Enhanced Multiplier Years Cancelled
15 or less	those made for years 16-20	5
More than 15, up to 16	those made for years 17-20	4
More than 16, up to 17	those made for	3

Section VIII-Summary of Plan Provisions

More than 17, up to 18	years 18-20 those made for	2
More than 18, up to 19	year 19-20 those made for	1
More than 19	year 20 none	0

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>10/01/2009</u>	<u>10/01/2008</u>
Present Value of Vested Benefits		
Retired members	\$2,562,683	\$2,279,500
Inactive members	2,071,805	2,299,944
Active members	5,284,424	3,904,186
Total	\$9,918,912	\$8,483,630
Present Value of Nonvested Benefits		
Inactive members	\$0	\$0
Active members	350,734	546,155
Total	\$350,734	\$546,155
Total Present Value of Accumulated Plan Benefits	\$10,269,646	\$9,029,785

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

	<u>Normal Cost</u>	<u>Unfunded Frozen Initial Liability</u>	<u>Present Value of Vested Benefits</u>	<u>Present Value of Nonvested Benefits</u>
Assumptions	\$81,872	\$153,515	\$0	\$0

Change in Present Value of Accumulated Plan Benefits

Present Value of Accumulated Plan Benefits as of 10/01/2008	\$9,029,785
Increase (decrease) during the year due to:	
Increase for interest due to decrease in the discount period	699,808
Benefits paid	(326,076)
Benefits accumulated and plan experience	866,129
Change in assumptions	0
Plan amendment	0
Method changes	0
Present Value of Accumulated Plan Benefits as of 10/01/2009	\$10,269,646

Section X - Accounting Disclosure Information for SGAS 27

Carryforward of Net Pension Obligation:

a) Annual required contribution for 2008 plan year	\$719,418
b) Interest on net pension obligation	(6,025)
c) Adjustment to annual required contribution	(12,315)
d) Annual pension cost for 2008 plan year (a+b-c)	725,708
e) Actual contributions made	719,418
f) Increase/(decrease) in net pension obligation	6,290
g) 2008 beginning of year net pension obligation	(77,738)
h) 2008 end of year net pension obligation	\$(71,448)

Annual Pension Cost for 2009 Plan Year:

a) Normal cost with interest	\$465,002
b) Amortization with interest	337,843
c) Annual required contribution (a+b) but not less than zero	802,845
d) Interest on net pension obligation	(5,537)
e) Adjustment to annual required contribution	(12,315)
f) Annual pension cost (c+d-e)	\$809,623

Section X - Accounting Disclosure Information for SGAS 27

Calculation of Net Pension Obligation

(a) Year	(b) Valn Rate	(c) Amort. Period	(d) ARC	(e) Interest On NPO ($d \text{ pr } \times b$)	(f) ARC Adjust. ($d \text{ pr } / e$)	(g) Amort. Factor ($c \text{ yrs } @ b\%$)	(h) APC ($d+e-f$)	(i) Actual Deposit	(j) Loss/ (Gain) ($d-i$)	(k) Change In NPO ($h-i$)	(l) NPO Balance ($l \text{ pr } + k$)
2001	7.75%	9	379,038	-	-	-	379,038	496,051	(117,013)	(117,013)	(117,013)
2002	7.75%	12	334,178	(9,069)	(15,326)	7,6347	340,435	338,435	(4,257)	2,000	(115,013)
2003	7.75%	11	369,537	(8,914)	(15,916)	7,2264	376,539	369,537	0	7,002	(108,011)
2004	7.75%	10	760,163	(8,371)	(15,916)	6,7864	767,708	760,163	0	7,545	(100,466)
2005	7.75%	10	816,391	(7,786)	(14,804)	6,7864	823,409	816,391	0	7,018	(93,448)
2006	7.75%	9	854,080	(7,242)	(14,804)	6,3124	861,642	854,080	0	7,562	(85,886)
2007	7.75%	8	714,677	(6,656)	(14,804)	5,8016	722,825	714,677	0	8,148	(77,738)
2008	7.75%	9	719,418	(6,025)	(12,315)	6,3124	725,708	719,418	0	6,290	(71,448)
2009	7.75%	8	802,845	(5,537)	(12,315)	5,8016	809,623				

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>10/01/2009</u>	<u>10/01/2008</u>
Participant data		
Active members	25	27
Total annual payroll	\$1,746,325	\$1,913,383
Retired members and beneficiaries	9	8
Total annualized benefit	\$192,726	\$172,397
Disabled members receiving benefit	0	0
Total annualized benefit	\$0	\$0
Terminated vested members	12 ¹	9 ¹
Total annualized benefit	\$170,725	\$173,726

Reconciliation of lives

	<u>Active</u>	<u>Inactive</u>	<u>Retired</u>
Total last valuation	27	9	8
New lives ²	0	0	+1
Voluntary discontinuances	0	0	0
Vested terminations	-1	+1	0
Non-vested terminations	0	0	0
Retirements	0	0	0
Deaths	0	0	0
Other ³ :	-1	+2	0
Total this Valuation	25	12	9

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 2 participants in 2008 and 3 participants in 2009 who are only entitled to receive their employee contributions. Also included are 3 DROP participants who have started receiving a retirement benefit, but are included in the inactive life count due to money still available in their DROP accounts.

² 1 new retiree continues to have money available in his DROP account, so he is still being included in the inactive life count.

³ 1 active participant was paid a lump sum of his benefit, and 2 DROP participants who have taken a retirement benefit but continue to have money available in their DROP accounts are being included in the inactive participant life count.

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>10/01/2009</u>	<u>10/01/2008</u>
Market Value of Assets		
Participants Fund ¹		
Long-term Equity Investments	\$4,659,486	\$4,529,871
Short-term Investments		
Real Estate	483,972	494,877
Bonds/Fixed Income	2,778,121	2,604,430
Other:		
Total	\$7,921,579	\$7,629,178
Actuarial Value of Assets²		
Participants Fund ¹		
Long-term Equity Investments		
Short-term Investments		
Real Estate		
Bonds/Fixed Income		
Other:		
Total	\$9,600,210	\$9,127,536
Adjusted Actuarial Value of Assets³	\$9,505,895	N/A

¹ The participant's fund under the FPI contract is included in total assets. These asset 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.

³ The assets used in the valuation have been adjusted to \$9,505,895 to fall within the corridor limits defined by the cost method of 80% to 120% of market value.

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>
10/01/2008	-1.65%	-3.09%	7.75%
10/01/2007	3.45%	-17.53%	7.75%
10/01/2006	10.97%	13.36%	7.75%

Liabilities

Actuarial Valuation Prepared as of

	10/01/2009 After Assumption <u>Change</u>	10/01/2009 Before Assumption <u>Change</u>	<u>10/01/2008</u>
Present value of all future expected benefit payments:			
Active Members			
Retirement benefits	\$13,994,393	\$12,659,771	\$11,874,942
Vesting benefits	0	0	0
Disability benefits	0	0	0
Death benefits	0	0	0
Return of contribution	0	0	0
Accumulated Leave	0	0	0
Total	\$13,994,393	\$12,659,771	\$11,874,942
Terminated vested members	\$2,071,805	\$2,071,805	\$2,299,944
Retired members and beneficiaries			
Retired (other than disabled) and beneficiaries	\$2,562,683	\$2,562,683	\$2,279,500
Disabled members	0	0	0
Total	\$2,562,683	\$2,562,683	\$2,279,500
Total present value of all future benefit payments	\$18,628,881	\$17,294,259	\$16,454,386
Liabilities due and unpaid:			
Frozen Initial Liability (FIL)	\$3,842,458	\$3,688,943	\$3,688,943
Unfunded Frozen Initial Liability (UFIL)	\$3,602,389	\$3,448,874	\$3,514,053

A list of liability bases is shown in Section V—Development of Deposit Information of this valuation report.

Liabilities (Continued)

A schedule illustrating the amortization of the Unfunded Frozen Initial Liability (UFIL) is shown below. This assumes:

- 1) No future changes in the UFIL due to plan amendments or assumption changes.
- 2) The Contractholder funds the Annual Required Contribution amount shown in this section of the Valuation Report.

<u>Year</u>	<u>Projected UFIL</u>
2009	3,515,085
2010	3,421,015
2011	3,319,655
2015	2,877,126
2020	2,406,868
2025	1,808,918
2030	920,817
2035	591,287
2040	325,408
2043	0

Reconciliation of DROP Accounts

Total DROP Account Balance on October 1, 2008	\$1,347,443
Additions	
Contributions	\$216,605
Interest and Earnings	\$15,208
Withdrawals	
Lump sum payments	\$116,986
Total DROP Account Balance on October 1, 2009	\$1,462,270¹

¹ \$450,798 is the Qualified account balance total and \$1,011,472 is the Non-qualified account balance total.

Actuarial Present Value of Accrued Benefits

Actuarial Valuation Prepared as of

	10/01/2009 After Assumption <u>Change</u>	10/01/2009 Before Assumption <u>Change</u>	<u>10/01/2008</u>
Statement of actuarial value of all accrued benefits			
Vested Accrued Benefits			
Inactive members and beneficiaries ¹	\$4,634,488	\$4,634,488	\$4,579,444
Active members (includes non-forfeitable accumulated member contributions in the amount of \$1,012,825)	5,284,424	5,284,424	3,904,186
Total value of all vested accrued benefits	9,918,912	9,918,912	8,483,630
Non-vested accrued benefits	350,734	350,734	546,155
Total actuarial present value of all accrued benefits	\$10,269,646	\$10,269,646	\$9,029,785

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.

Pension Cost

Actuarial Valuation Prepared as of

	10/01/2009 ² After Assumption Change	10/01/2009 ² Before Assumption Change	10/01/2008 ³
Normal Cost: ¹			
Base Normal Cost	\$752,091	\$645,165	\$570,274
Administrative expenses	20,399	20,399	22,734
Total Normal Cost	\$772,490	\$665,564	\$593,008
Payment to amortize unfunded liability(ies)	\$340,129	\$319,135	\$313,544
Expected plan sponsor contribution (including normal cost, amortization payment and interest, as applicable)	\$1,51,450	\$916,081	\$802,845
As % of payroll	44.24%	38.84%	41.96%
Amount to be contributed by members ⁴	136,795	134,508	161,452
As % of payroll	7.83%	7.85%	8.44%

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

² 10/01/2009 amounts will be used for the 10/01/2010-09/30/2011 funding.

³ 10/01/2008 amounts will be used for the 10/01/09-09/30/2010 funding.

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

For the current plan year:

Interest is based on 7.75% for both the current and prior year. The credit balance was amortized over 20 years in the calculation of the expected plan sponsor contribution. The amount was \$9,005 for the prior year and \$8,773 for the current year.

Section XI-Florida Disclosures

	Plan Year Beginning	
	<u>10/01/2008</u>	<u>10/01/2007</u>
Past Contributions		
Required plan sponsor contribution	\$719,418	\$714,677
Required member contributions	175,806	176,055
Actual contributions made by		
Plan sponsor	\$719,418	\$714,677
Members	160,004 ¹	183,385 ¹
Other:		
Net Actuarial gain(loss) (if applicable)	N/A	N/A

¹ Includes the amount contributed for the additional accrual service.

Other Disclosures

Actuarial Valuation Prepared as of

	10/01/2009 After Assumption <u>Change</u>	10/01/2009 Before Assumption <u>Change</u>	<u>10/01/2008</u>
Present values of active members:			
Future salaries			
at attained age	\$13,869,234	\$12,471,134	\$13,856,214
at entry age	16,632,111	16,493,022	17,200,131
Future contributions			
at attained age	935,376	841,085	\$934,498
at entry age	1,121,712	1,112,331	1,160,020
Present value of future contributions from other sources	0	0	0
Present value of future expected benefit payments for active members at entry age	\$7,245,979	\$6,386,614	\$6,519,099

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>
10/01/2008	6.84%	5.59%
10/01/2007	8.48%	5.58%
10/01/2006	15.78%	5.53%

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.

This contract utilizes the direct fund payment method. Under the direct fund method, payments are made monthly from plan assets, therefore purchase rates are not applicable.

Asset Reconciliation

Actuarial value of assets balance on October 1, 2008	\$9,127,536
Additions	
Contributions - Employer	\$719,418
Contributions - Employee	\$160,004
Interest and Earnings	\$(240,547)
Withdrawals	
Expenses	\$20,398
Direct fund retirement payments	\$189,156
Lump sum payments	\$136,920
Plus Market Value Spread Adjustment	\$180,273
Actuarial value of assets balance on October 1, 2009	\$9,600,210
Adjusted Actuarial Value ¹	\$9,505,895

¹The assets used in the valuation have been adjusted to \$9,505,895 to fall within the corridor limits defined by the cost method of 80% to 120% of market value.

January 6, 2010

PERSONAL & CONFIDENTIAL
MARK ANTONIO
CITY OF HALLANDALE BEACH
CITY HALL
400 SOUTH FEDERAL HIGHWAY
HALLANDALE BEACH FL 33009-6433

RE City Of Hallandale Beach Professional/management Retirement Plan
Annuity Contract No: 4-47771

Dear Mark

Enclosed is your GASB 25 Financial Accounting Disclosure Report for the year ending September 30, 2009. This report provides the disclosure information needed to comply with the Governmental Accounting Standards Board Statement 25, 40, 50, and 53. 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
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Enclosure

cc Don Huegerich - Relationship Manager
Dan Gornick

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

City of Hallandale Beach Professional/Management Retirement Plan

GA 4-47771

Statement of Plan Net Assets
as of September 30

	2009	2008
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	7,921,578.75	7,629,178.11
Allocated Separate Accounts at Fair Value	0.00	0.00
Total Investments	7,921,578.75	7,629,178.11
Total Assets	\$7,921,578.75	\$7,629,178.11
Liabilities:		
Accrued administrative expense	\$0.00	\$0.00
Total Liabilities	\$0.00	\$0.00
Net assets available for benefits	\$7,921,578.75	\$7,629,178.11

City of Hallandale Beach Professional/Management Retirement Plan

GA 4-47771

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

	2009	2008
Additions:		
Contributions		
State aid	\$0.00	\$0.00
Members' contributions	160,004.38	183,384.84
Employer contributions	719,418.00	714,677.00
Investment Income		
Contract Investment Income	\$0.00	\$0.00
Dividend Income	0.00	0.00
Net appreciation/(depreciation) in fair value of investments	(240,546.98)	(1,596,483.22)
Total additions	\$638,875.40	\$(698,421.38)
Deductions:		
Pension payments	\$326,075.92	\$126,142.34
Refund terminated members' contributions	0.00	0.00
Administrative expenses	20,398.84	22,734.24
Premiums	0.00	0.00
Other expenses	0.00	0.00
Total deductions	\$346,474.76	\$148,876.58
Net increase/(decrease)	\$292,400.64	\$(847,297.96)
Fund Balance on October 1	\$7,629,178.11	\$8,476,476.07
Fund Balance on September 30	\$7,921,578.75	\$7,629,178.11

City of Hallandale Beach Professional/Management Retirement Plan

GA 4-47771

Notes To Financial Statements

1. Description of Plan:

A. General

The City of Hallandale Beach Professional/Management Pension 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, 2009 and 2008, the pension plan's membership consisted of:

	<u>2009</u>	<u>2008</u>
Active employees	25	27
Retirees and beneficiaries currently receiving benefits	9	8
Terminated employees entitled to benefits but not yet receiving them	12	9
Total	46	44

C. Benefit Provisions

As of October 1, 2009, 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 unallocated separate accounts are valued at fair value.

C. Contributions

Employee contributions are made to the plan in the amount of 7% of monthly compensation. The contributions are deducted from the employees compensation by regular payroll deductions and paid to the fund by the employer on behalf of the employee. 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, 2009, 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 ($\$7,921,578.75 \times .05 = \$396,078.94$):

Principal Financial Group	\$7,921,578.75
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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 GASB No. 40, requires state and local governments to disclose certain risks associated with the plan's deposits and investments. GASB 53 requires investment derivative instruments be reported at fair value and disclosed according to GASB 40 requirements.

Deposits

At September 30, 2009, the plan held no deposits.

Interest Rate Risk. At September 30, 2009, the city had the following investments. Amounts are shown in dollars. Modified duration is shown in years.

<u>Fixed Income Investment Options</u>	<u>Fair Value</u>	<u>Effective Duration</u>
General Account at contract value	\$0.00	5.10
Core Plus Bond I Separate Account	998,031.56	4.51
Principal Bond and Mortgage Separate Account	1,006,208.78	4.39
Principal Government & High Quality Bond Separate Account	0.00	3.37
Principal Inflation Protection Separate Account	416,375.82	7.43
Principal High Yield I Separate Account	357,504.85	3.82
Principal Ultra-Short Bond Separate Account	0.00	0.52
Principal Short-Term Bond Separate Account	0.00	1.72
Principal High Quality Intermediate-Term Bond Separate Account	0.00	4.24
Principal Preferred Securities Separate Account	0.00	7.15
Principal Ultra Long Bond Separate Account	0.00	10.59
Principal Money Market Separate Account	0.00	0.18 ¹
U.S. Property Separate Account	316,171.57	²
Total Fair Value of Fixed Income Investment Options	<u>\$3,094,292.58</u>	
Other Investments	<u>4,827,286.17</u>	
Total Investments	<u>\$7,921,578.75</u>	

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center at www.Principal.com, or 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.

Derivatives. Separate accounts held at The Principal Financial Group may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities.

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, 2005 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)
10/01/2005	\$4,902,938	\$7,976,106	\$3,073,168	61%	\$2,000,812	154%
10/01/2006	6,365,736	9,963,276	3,597,540	64%	1,816,382	198%
10/01/2007	8,086,229	9,764,969	1,678,740	83%	1,843,784	91%
10/01/2008	9,127,536	11,166,975	2,039,439	82%	1,823,659	112%
10/01/2009	9,505,895	12,573,932	3,068,037	76%	1,633,301	188%

Actuarial Value of Assets differs from Total Assets shown on page 1 due to the spreading of market value for separate accounts.

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 five years:

Plan Year End	Annual Required Contribution	Actual Contribution	Percentage Contributed
09/30/2005	\$760,163	\$760,163	100%
09/30/2006	816,391	816,391	100%
09/30/2007	854,080	854,080	100%
09/30/2008	714,677	714,677	100%
09/30/2009	719,418	719,418	100%

This plan was established 10/01/2001.

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, 2009, 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 amortization method used is Level Dollar over a Closed Period. The weighted average remaining period is 20 years.

B. Significant Factors Affecting Schedules

The following changes affect the comparability of costs since the October 1, 2003 plan year.

<u>Actuarial Valuation Date</u>	<u>Reason(s)</u>	<u>Change in Actuarial Accrued Liability</u>
10/01/2003	Assumption change	\$156,127
10/01/2003	Benefit change	652,266
10/01/2005	Benefit change	664,762
10/01/2006	Assumption change	177,270
10/01/2009	Assumption change	153,515

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

Class: Professional/Management class, as determined by the personnel resource system and approved by the City Manager and elected officials subject to provisions of Chapter 112.048, Florida Statutes.

Must agree to make required contributions as a condition of employment.

Effective 01/01/2007 no employee shall become or again become an active participant.

Normal Retirement Benefit

Age: Attained age 52 with 10 years of professional/management service with employer.

Attained age 60 with 4 years of professional/management service with employer.

25 years of professional/management service with employer.

Form: Ten years certain and life.

Amount (accrued benefit): The product of (a) and (b):

(a) An amount equal to 3.2% of average compensation.

(b) Accrual service on such date, plus additional accrual service, if any.

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 0.25%.

Maximum Benefit

Accrued benefit shall not be more than 80% of average compensation.

Early Retirement Benefit

Age:	Attained age 45.
Service:	Ten years of professional/management service with employer.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on early retirement date reduced by 6% for each year up to five that early retirement date precedes normal retirement date.

Late Retirement Benefit

Age:	No maximum age.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on late retirement date. The accrued monthly benefit on normal form should not be less than his/her monthly benefit on the normal form which is the actuarial equivalent of his salary reduction contribution account on such date.

Deferred Retirement Option Plan

Eligibility	An active participant first becomes eligible to elect the DROP upon becoming eligible for normal retirement or the date the participant reaches 80%.
Election:	An election to participate in the DROP shall constitute an irrevocable election to resign from the service of the employer not later than 60 months after commencement of DROP participation. All participants in the DROP shall be given 45 days in which to consider the terms of the DROP agreement and, after election to participate shall have seven calendar days following execution to revoke said agreement to receive the full five years of participation.
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 administrative cost, or if elected by participant on DROP entry the rate of return assumption made annually by the plan's actuary to perform an actuarial valuation. Payment options are lump sum, periodic payment, an annuity, a combination or a rollover to another qualified retirement plan, including an individual retirement account.
Amount:	At the time of a participant's entry into the DROP, the participant's accrual service, accrued benefit and average compensation shall be calculated as if the participant had actually retired from service. There shall be no further required contributions by participants after entry into the DROP. No additional accrual service shall be earned after entry into the DROP. Any changes in plan benefits shall not apply to participants in the DROP, unless otherwise applicable to retired participants of the plan.

Disability Benefit

Service:	10 years of professional/management service.
Form:	Monthly income payable until death, or recovery.
Amount:	Accrued Benefit on date of disability offset by any Social Security Disability benefit.

Termination Benefit

Vesting percentage:	100% after four years of vesting service.
Form:	Same as normal retirement benefit with income deferred until normal retirement date.
Amount:	Equal to the sum of: (a) The amount of retirement annuity which is the actuarial equivalent of his/her salary reduction contribution account. (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 accumulation in cash in lieu of any and all retirement benefits.

Medical Stipend

Eligibility:	Participant who actively retires from plan and was hired on or before 01/01/1996.
Amount:	An annual benefit of \$120 times years of service (maximum 20 years).

Cost of Living Adjustment

Amount:	Adjustment to the retirement benefit of up to 2% per year if the Consumer Price Index is 0.5% or greater the immediate preceding year.
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Death Benefits

The greater of A. or B.:

A. Single Sum Death Benefit

Form: Lump sum.

Amount: Participant's salary reduction contribution account.

B. Survivor Annuity Death Benefit

Eligibility: Participant has attained age 45 and completed 10 years of professional/management service with the employer.

Participant is survived by spouse to whom he/she was continuously married throughout the one-year period ending on the date he dies.

Vesting percentage or salary reduction contribution account on the date of death is greater than zero.

Active participant that has not waived the Preretirement Survivor Annuity.

Form: Monthly annuity payable to spouse.

Amount: If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

Salary Reduction Contributions

Vesting percentage: 100% immediately.

Amount: 7% of monthly compensation.

Definitions

Compensation: Total amount paid to an employee, excluding accumulated leave pay, but including assignment and longevity pay.

Average compensation: The average of an employee's monthly compensation for their last two compensation years, (all if less than two).

Appendix I Summary of Plan Provisions

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.

Additional accrual service: The total of an employee's additional service to be credited beginning in the 16th year of professional/management service with the employer as described below:

(a) An active participant shall have the option of purchasing up to 5 years of additional accrual service, which shall be calculated in the form of an enhanced multiplier. In order to qualify for this option, the participant must have been employed as a professional/management employee for at least one year.

(b) Employees must exercise this option within 90 days after completion of one year of professional/management service.

(c) An active participant who has elected this option shall contribute for each year of enhanced multiplier purchased. The amount shall be based upon actuarial factors determined by the city. Such contribution may be made in a single-sum or over a period not to exceed 10 years, and may be made as a direct transfer from an IRC Section 403(b) or 457 plan.

All such contributions must be made by the earliest of (i) the date the participant has completed 11 years of service with the employer, (ii) the date of entry into the Deferred Retirement Option Plan, or (iii) his/her retirement date.

However, additional accrual service is modified as follows:

If a participant who purchased an enhanced multiplier year(s) does not reach his 16th, 17th, 18th, 19th and/or 20st year of professional/management service with the employer, the contributions made by such participant for the applicable year(s) shall be returned to him with interest compounded annually at 4%, and the enhanced multiplier for such year(s) shall be cancelled in accordance with the following schedule:

Years of Professional/Management Service Completed	Contributions Returned	Enhanced Multiplier Years Cancelled
15 or less	those made for years 16-20	5
More than 15, up to 16	those made for years 17-20	4
More than 16, up to 17	those made for	3

Appendix I
Summary of Plan Provisions

More than 17, up to 18	years 18-20 those made for year 19-20	2
More than 18, up to 19	those made for year 20	1
More than 19	none	0

Actuarial Valuation Assumptions

	<u>10/01/2009</u>	<u>10/01/2008</u>																																								
Valuation Interest (net of investment expenses)																																										
Preretirement	7.75%	7.75%																																								
Postretirement	7.75%	7.75%																																								
Interest Rate For Employee Accumulations	3.53%	3.53%																																								
Mortality																																										
Preretirement	None.	None.																																								
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 5.30%.	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. For those participants who have elected to purchase additional accrual service, we are assuming that they will not retire until they can receive those years' credited service.	Normal retirement age as defined in Summary of Plan Provisions. For those participants who have elected to purchase additional accrual service, we are assuming that they will not retire until they can receive those years' credited service.																																								

Appendix II Actuarial Assumptions

Disability	None.	None.
Marriage	75% married; male is 3 years older than the female.	75% married; male is 3 years older than the female.
Withdrawal	None.	None.
Cost of Living	2% per year	2% per year

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

Actuarial Methods

	<u>10/01/2009</u>	<u>10/01/2008</u>
Actuarial cost method	Entry age normal-frozen initial liability	Entry age normal-frozen initial liability
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 (must be within 20% of market value).	Market value is adjusted by spreading the expected value minus the actual value over four years (must be within 20% of market value).
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 whose benefits are not guaranteed by your contract are included in your valuation.	Assets and liabilities for retirees whose benefits are not guaranteed by your contract 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 inactive 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 inactive 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
Entry Age Normal - Frozen Initial Liability

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.

Entry Age Normal - Frozen Initial Liability

The entry age normal-frozen initial liability 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.

Costs are spread evenly from a member's date of hire to assumed retirement age. There are some accumulated costs for past years that have not been paid on your plan's effective date. The value of these past costs is called the frozen initial liability (FIL). In the following years, the FIL is reduced by employer deposits in excess of the employer normal cost and interest. This reduced amount is the unfunded frozen initial liability (UFIL). Both the FIL and UFIL are adjusted when there are plan or assumption changes (a liability base is created).

Normal Cost is determined by reducing the total cost of projected benefits by plan assets and the UFIL. This net amount is the present value of future normal costs. It is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount, if not salary related. The UFIL is funded by amortizing each liability base over a separate period in accordance with the Internal Revenue Code.

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.