



**Watson Wyatt & Company**

Suite 210  
10689 North Kendall Drive  
Miami, FL 33176-1576

Telephone 305 274 8080  
FL Wats 800 432 0202  
Fax 305 279 0450

June 1, 1998

F4 97/98

Pension Board  
City of Wilton Manors  
524 N.E. 21st Court  
Wilton Manors, Florida 33305

**Subject: Actuarial Valuation of the Pension Plan**

Dear Pension Board Members:

We are pleased to present our October 1, 1997 Actuarial Valuation report for your Pension Plan. The purpose of this report is to indicate appropriate contribution levels, comment on the actuarial stability of the Plan and to satisfy State requirements. Watson Wyatt & Company has been retained by the Board to perform this actuarial valuation as provided under Section 2.04 of the Plan.

This report consists of this Commentary, detail Tables I through XVII and State Required Exhibit Table XVIII. The Tables contain basic Pension Plan cost figures plus significant detail on the benefits, liabilities and experience of your Plan. We suggest that you thoroughly review the report at your convenience and contact us with any questions that may arise.

**Cost for Fiscal Year Ending September 30, 1998**

Our Actuarial Valuation develops the required minimum Pension Plan contribution for the fiscal year ending September 30, 1998 under the Florida Protection of Public Employee Retirement Benefits Act and for Police Retirement Chapter 185. The minimum payment consists of the annual normal cost plus amortization of the components of the unfunded frozen actuarial accrued liability over various periods as prescribed by law. The total cost is to be met by employee, City and State contributions. **The City requirement must be adjusted upwards if less than the anticipated State contribution is received.**

The following is a summary of the Plan costs by department:

<u>Department</u>	<u>Total Cost (% of Payroll)</u>		<u>City Cost (% of Payroll)</u>	
General	\$ 460,552	22.3%	\$ 233,483	11.3%
Police	\$ 321,577	24.4%	\$ 155,222	11.8%
Total	\$ 782,129	23.1%	\$ 388,705	11.5%

The costs for Police includes an additional interest amount of \$845 reflecting the timing of the actual receipt of State contributions for the prior fiscal year.

The plan of benefits considered in this valuation is the same as that for the October 1, 1996 valuation. An outline of the benefits is contained in Table IX.



This actuarial valuation was performed utilizing the same actuarial assumptions and methods as were used for the October 1, 1996 report. These assumptions and methods are outlined on Table X.

**Comparison of October 1, 1996 and  
October 1, 1997 Valuation Results**

Table II of our report provides information of a comparative nature. The left column of the Table indicates the costs as calculated for October 1, 1996. The right column indicates the October 1, 1997 Actuarial Valuation results. Comparing the two columns shows the effect of plan experience during the year. The number of active participants increased by approximately 2.4%, and covered payroll increased by approximately 6.3%. The City minimum funding payment increased both as a dollar amount and as a percentage of covered payroll.

The Plan has more assets than the present value of vested accrued benefits, resulting in a Vested Security Benefit Ratio of 137.6%. This ratio decreased slightly from the prior year ratio of 138.4%.

**GASB Disclosure**

In November, 1994, the Government Account Standards Board (GASB) adopted Statement No. 25 and Statement No. 27, changing the way in which government retirement systems must report financial information. The statements allowed plans to delay the effective date until reporting under both statements' guidelines for plan years beginning after June 15, 1997. Statement No. 25 has been adopted since the October 1, 1996 Actuarial Valuation.

GASB No. 27 requires the City of Wilton Manors, as the employer, to disclose the annual pension cost and net pension obligation regarding the plan. The annual pension cost is an accrual-basis measure of the cost of the employer's required contributions for the period to the plan determined by applying the measurement requirements of Statement No. 27. The net pension obligation at the valuation date is the cumulative difference between the annual pension cost and actual employer contributions since the adoption date of Statement No. 27.

This report includes a revised Table VIII that shows the additional information required to be reported under GASB No. 27. Item V of Table VIII discloses the annual pension cost for the fiscal year along with the fiscal year-end net pension obligation. We assume that since the City had met the minimum funding obligations for each of the past years, the net pension obligation at transition is determined to be \$0.

**Plan Experience**

Tables XV, XVI, and XVII provide recent experience data for your Plan with regard to salary increases, employee turnover and investment return, respectively. Table XV shows that pay increases averaged approximately 6.2% this year. A breakdown indicates that the salary increases for General Employees averaged 8.2% and the salary increases for Police Officers averaged 3.2%,



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Our assumption for the plan year was 5.5%. The three and five year averages for pay increases are both 3.9% and 4.8%, respectively.

Table XVI shows that employee turnover was approximately 20% of expected turnover. The most recent three and five year turnover ratios are 50% and 60%, respectively.

Table XVII shows that investment return on an actuarial basis was approximately 12.5% this year. This is in excess of our investment return assumption of 8%. The three and five year averages for investment return on this basis have been 12.3% and 9.3%, respectively.

### Participant Census and Financial Data

We were provided participant census data by the City. We did not audit this data, however, we performed certain reasonableness checks and believe that the information we received is reliable.

We received information on the Plan assets from the custodian bank and through the Plan's auditor. We did not audit this data, however, it was accepted as reasonable.

### Summary

On the basis of this Actuarial Valuation, we believe that the current levels of assets are sufficient and that the Plan will be adequately funded by continuing future contributions at levels indicated in this report. We would emphasize that it is extremely important to the City to closely monitor the total contributions being made to the Plan so that they result in sufficient amounts as required by law.

We are available to respond to any questions that you may have on this report or any other Pension Plan matters. Please do not hesitate to contact us at your convenience.

Sincerely,

Wallace W. Wilson, F.S.A.  
Consulting Actuary

Yiu H. Lai  
Actuarial Analyst

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