



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

October 8, 1996

F4 95/96

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, 1995 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 2.12 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, 1996**

Our Actuarial Valuation develops the required minimum Pension Plan contribution for the fiscal year ending September 30, 1996 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</u> <u>(% of Payroll)</u>		<u>City Cost</u> <u>(% of Payroll)</u>	
General	\$ 423,598	24.5%	\$ 246,578	14.3%
Police	\$ 314,071	24.9%	\$ 172,482	13.7%
Total	\$ 737,669	24.7%	\$ 419,060	14.0%



Board Members

October 8, 1996

Page 2

This valuation reflects several changes in the plan benefits. For both General Employees and Police Officers, the normal retirement benefit is now 3.0% of Average Monthly Compensation multiplied by years of credited service. This disability benefit has been updated for both General Employees and Police Officers to 50% of Average Monthly Compensation for service connected disability and 25% of Average Monthly Compensation for non-service connected disability. The participant is entitled to at least their accrued benefit after becoming disabled. For Police Officers, the normal retirement date was updated to the earlier of attainment of age 60 and 5 years of credited service or completion of 20 years of credited service regardless of age. The Police Officers early retirement date was also adjusted to age 50 and 15 years of service. The General Employee contribution level is increased to 11% of pay while Police Officers shall contribute 10% of pay.

The combined effect of these changes is an increase in the unfunded frozen actuarial accrued liability of \$1,279,575 (42.8%) and an increase in the normal cost of \$49,941 (1.77%). The City minimum funding increased \$50,778 (1.7%) and the expected employee contributions increased \$106,466 (3.6%).

This actuarial valuation was performed utilizing the same actuarial assumptions and methods as were used for the October 1, 1994 report. These assumptions and methods are outlined on Table X.

The City cost for the Police plan reflects an expected State contribution in the amount of **\$31,718**. **To the extent that the State contribution is less, the City contribution must be increased.**

#### Comparison of October 1, 1994 and October 1, 1995 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, 1994. The middle and right columns indicate the October 1, 1995 Actuarial Valuation results under the prior and new plan, respectively. Comparing the left and middle columns shows the effect of plan experience during the year. The number of active participants decreased slightly, however, covered payroll increased slightly. The City minimum funding payment decreased both as a dollar amount and as a percentage of covered payroll. Comparing the middle and right columns shows the effect of the adoption of the new plan on October 1, 1995. These changes resulted in an increase in the required City contribution of approximately \$51,000 (1.7% of covered payroll).

The Plan has more assets than the present value of vested accrued benefits, resulting in a Vested Security Benefit Ratio of 131.2%. This ratio decreased slightly from the prior year ratio of 133.2%.



Board Members  
October 8, 1996  
Page 3

**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 1.7% this year. The current year pay increases are less than our 1994/95 plan year assumption of 5.5%. The three and five year averages for pay increases are both 4.7%.

Table XVI shows that employee turnover was approximately 90% of expected turnover. The most recent three and five year turnover ratios are 80% and 60%, respectively.

Table XVII shows that investment return on an actuarial basis was approximately 15.8% 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 8.6% and 10.6%, 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 City audit reports. 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.  
Managing Consultant

Douglas E. Beckendorf  
Actuarial Analyst