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July 26, 1999

F4 98/99

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, 1998 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, 1999

Our Actuarial Valuation develops the required minimum Pension Plan contribution for the fiscal year ending September 30, 1999 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. We have anticipated that the State contribution will be \$34,000. **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	\$ 452,730	21.6%	\$ 221,978	10.6%
Police	\$ 303,370	23.7%	\$ 141,523	11.1%
Total	\$ 756,100	22.4%	\$ 363,501	10.8%

This valuation recognized the implementation of the Deferred Retirement Option Plan (D.R.O.P.) for participants who have completed 20 or more years of credited service. The remaining plan benefits considered in this valuation are the same as those for the October 1, 1997 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, 1997 report. The retirement assumption has been modified to reflect the D.R.O.P. These assumptions and methods are outlined on Table X.

**Comparison of October 1, 1997 and
October 1, 1998 Valuation Results**

Table II of our report provides a comparison of the results of the last two valuations. The left column reflects significant valuation results as of October 1, 1997. The center column is as of October 1, 1998 before recognizing the plan amendment. The right column is as of October 1, 1998 after recognizing the plan amendment. Comparing the left and center columns shows the effect of plan experience during the past year. The number of active participants decreased by approximately 3%. The payroll of these active participants decreased by approximately 0.1%. The normal cost including expenses for the year increased both as a dollar amount and as a percent of covered payroll. The City minimum funding requirement, however, decreased to 10.5% of covered payroll. The Vested Benefit Security Ratio increased slightly from 137.6% to 137.7%.

As can be seen by comparing the center and right columns, the effect of the plan amendment was an increase in liabilities and costs. The normal cost including expenses increased by approximately \$8,200 (0.2%). The unfunded frozen actuarial accrued liability increased by approximately \$22,000 (0.7%). The City minimum funding requirement increased by \$8,155 (0.2%).

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. Beginning with the October 1, 1998 Actuarial Valuation, the GASB No. 25 information is being reported separately for General Employees and Police Officers, as requested by the State.

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.

Table VIII 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 was 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 11.5% this year. A breakdown indicates that the salary increases for General Employees averaged 15.3% and the salary increases for Police Officers averaged 3.3%. Our assumption for the plan year was 5.5%. The three and five year averages for pay increases are 7.1% and 5.6%, respectively.

Table XVI shows that employee turnover was approximately 130% of expected turnover. The most recent three and five year turnover ratios are 60% and 80%, respectively.

Table XVII shows that investment return on an actuarial basis was approximately 12.8% 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 11.4% and 10.3%, 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 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



*Preliminary
assessment
for Budget*

Watson Wyatt & Company

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May 21, 1999

Ms. Linda Peterson
Accounting Clerk I
City of Wilton Manors
524 N.E. 21st Court
Wilton Manors, Florida 33305

*FL 98/99
Budget*

Subject: Preliminary Contribution Requirements for 1998/99

Dear Linda:

As requested, we have computed the required City contribution for the 1998/99 fiscal year for the General Employees and Police Officers' Retirement Plan.

The required contributions are as follows:

- General Employees \$ 222,000 (10.6% of covered pay)
- Police Officers \$ 176,000 (13.8% of covered pay)
(prior to State contributions) 398,000

Please note that the calculations we performed were based upon preliminary census data provided to us and may be subject to changes/revisions. We are providing these figures for the purposes of budgeting only.

If you should have any questions, please do not hesitate to contact us.

Sincerely,

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

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cc: Ms. Brenda J. Clanton