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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, 1996 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, 1997

Our Actuarial Valuation develops the required minimum Pension Plan contribution for the fiscal year ending September 30, 1997 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:

Department	Total Cost (% of Payroll)		City Cost[1] (% of Payroll)	
General	$ 405,181	21.9%	$ 202,120	10.9%
Police	$ 318,198	23.8%	$ 152,729	11.4%
Total	$ 723,379	22.7%	$ 354,849	11.2%

[1] City's contribution for Police may be offset by late State contribution.

This valuation reflects no changes in the plan benefits. However, the assumed retirement age assumption for both general employees and police was updated to reflect rates of retirement. For both general employees and police with less than 20 years of service, these rates start at age 50 and continue until age 60. For general employees with 20 or more years of service, the rates start at age 40 and continue until age 60 and for police with 20 or more years of service, the rates start at age 40 and continue until age 50. Also we have assumed that general employees or police that are actively employed on the valuation date and eligible for retirement and over age 60 will retire one year after the valuation date. Please refer to Table X. Item G.

The combined effect of this assumption change is an increase in the unfunded frozen actuarial accrued liability of $187,100 (5.9%) and a decrease in the normal cost of $30,805 (1.0%). The City minimum funding decreased $47,227 (1.5%) and the expected employee contributions increased $29,893 (0.9%).

This actuarial valuation was performed utilizing the same actuarial assumptions and methods as were used for the October 1, 1995 report, except for the assumed retirement age assumption as noted above. These assumptions and methods are outlined on Table X.

Comparison of October 1, 1995 and October 1, 1996 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, 1995. The middle and right columns indicate the October 1, 1996 Actuarial Valuation results under the old and new assumptions, respectively. Comparing the left and middle columns shows the effect of plan experience during the year. The number of active participants increased slightly, and also 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 new assumptions of October 1, 1996. These changes resulted in a decrease in the required City contribution of approximately $47,000 (1.5% of covered payroll).

The Plan has more assets than the present value of vested accrued benefits, resulting in a Vested Security Benefit Ratio of 138.4%. This ratio increased slightly from the prior year ratio of 131.2%.

GASB No. 25. Disclosure

In November, 1994, the Government Account Standards Board (GASB) adopted Statement No. 25, changing the way in which government retirement systems must report financial information. The statement allowed plans to delay the effective date until reporting for plan years beginning after June 15, 1996. This replaces the requirements of GASB No. 5.

GASB No. 25 makes a number of significant changes to retirement plan reporting. It eliminates the dual reporting of actuarial liabilities that was required under GASB No. 5. Under GASB No. 5, many plans, including Wilton Manors, reported liabilities determined under one actuarial cost method for internal purposes but were required to also provide liabilities determined using the Projected Unit Credit method for the financial reports. Under GASB No. 25, systems select one actuarial method from several acceptable alternatives, and report all information on this one basis.

This report includes a revised Table VIII that shows information required to be reported under GASB No. 25. Item II of Table VIII shows a six-year history of funding progress (a comparison of Actuarial Assets with the Actuarial Accrued Liability, and a comparison of UAAL with compensation).

Item III of Table VIII shows the Annual Required Contribution (ARC) as computed under GASB No. 25, and it shows what percent of this amount was actually received.

Item IV of Table VIII shows other information which must be included in the notes section of the financial report.

Item V of Table VIII shows revenues by source and expenses by type as we have in past valuations.

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 3.7% this year. The current year pay increases are less than our 1995/96 plan year assumption of 5.5%. The three and five year averages for pay increases are both 3.6% and 4.2%, respectively.

Table XVI shows that employee turnover was approximately 40% 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 8.8% 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 8.8% and 9.0%, 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

Denise Miller

Denise Miller
Actuarial Analyst

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