

ORDINANCE NO. 1323

AN ORDINANCE OF THE CITY OF PANAMA CITY BEACH FURTHER AMENDING THE CITY OF PANAMA CITY BEACH FIREFIGHTERS' RETIREMENT PLAN ADOPTED BY ORDINANCE NUMBER 1157, AS SUBSEQUENTLY AMENDED; AMENDING SECTION 5, CONTRIBUTIONS; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING AN EFFECTIVE DATE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PANAMA CITY BEACH, FLORIDA;

**SECTION 1:** That the City of Panama City Beach Firefighters' Retirement Plan, adopted by ordinance number 1157, as subsequently amended, is hereby further amended by amending Section 5, Contributions, subsection 1., Member Contributions, A. Amount, to read as follows:

**SECTION 5. CONTRIBUTIONS.**

**1. Member Contributions.**

- A. **Amount.** Each Member of the System who does not make the election provided for in Section 6, Benefit Amounts and Eligibility, Subsection 1.B., shall be required to make regular contributions to the Fund in the amount of ~~eight and one-tenth percent (8.1%)~~ four and one-tenth percent (4.1%) of his Salary effective 11/20/14. Upon election prior to November 1, 2005 or at the time of employment, each Member of the System who elects to have the option to retire upon the completion of twenty-five (25) years of Credited Service regardless of age pursuant to Section 6, Benefit Amounts and Eligibility, subsection 1. B., shall be required to make regular contributions to the Fund in the amount of ~~eleven and one-half percent (11.5%)~~ seven and one-half percent (7.5%) of his Salary effective ~~November 1, 2005~~ 11/20/14 or at the time of employment, whichever is applicable. Any election made pursuant to this paragraph shall be made in writing in a time and manner determined by the Board and shall be irrevocable. Member Contributions withheld by the City on behalf of the Member shall be deposited with the Board at least immediately after each pay period. The contributions made by each Member to the Fund shall be designated as employer contributions pursuant to §414(h) of the Code. Such designation is contingent upon the contributions being excluded from the Members' gross income for Federal Income Tax purposes. For all other purposes of the System, such contributions shall be considered to be Member contributions.

B. Method. Such contributions shall be made by payroll deduction.

\* \* \*

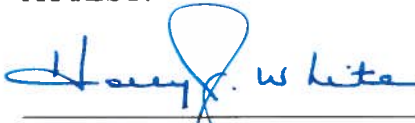
**SECTION 2:** All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

**SECTION 3:** That this Ordinance shall become effective upon its adoption.

PASSED, APPROVED AND ADOPTED at the regular meeting of the City Council of the City of Panama City Beach, Florida, this 13<sup>th</sup> day of November, 2014.

  
MAYOR

ATTEST:

  
CITY CLERK

EXAMINED AND APPROVED by me this 13<sup>th</sup> day of November, 2014.

  
MAYOR

PUBLISHED IN News Herald ON THE 31 DAY OF October, 2014.

POSTED ON pcbgov.com ON THE 17<sup>th</sup> DAY OF November, 2014.

  
CITY CLERK



**City of Panama City Beach  
Firefighters' Pension Plan**

**Actuarial Impact Statement  
as of October 1, 2013**

**Amends the Plan to Reduce Member Contributions  
by 4% per Year, to be Paid for by Premium Tax  
Revenues**



Ms. Holly J. White  
City Clerk  
City of Panama City Beach  
110 South Arnold Road  
Panama City Beach, FL 32407

Re: *Panama City Beach Firefighters' Pension Plan*

Dear Ms. White:

In accordance with the City's request, we are pleased to present this report on the actuarial funding impact of a proposed change to the Pension Plan. The proposed change would decrease member contributions for the "Regular" and "25 and out" groups from 8.1% and 11.5% to 4.1% and 7.5% respectively. This change would be paid for by using excess Premium Tax Rebates. It is the intent that this reduction in contributions would only apply in years that the accumulated Tax Rebates set aside and the Additional Tax Revenues are sufficient to fund the reduction. The change would be effective October 1, 2014, and would apply only for members who are actively employed on or after that date. That this proposed change is funded by rebates is demonstrated by the fact that the State Minimum Required Contribution remains relatively unchanged.

This actuarial impact study was performed as of October 1, 2013, using the same actuarial basis as the actuarial valuation as of that date. The cost estimates provided in this report were developed as if the proposed plan change were effective for the plan/fiscal year beginning October 1, 2013. The presumption is that the relative impact will be the same if the plan change in fact does not apply until the 2014-2015 fiscal year.

This report includes a Summary of Major Plan Provisions and a description of the Actuarial Basis used in the valuation. We relied on employee and financial data provided by the City. The Actuarial Cost Method used is considered acceptable under the Rules of the Department of Administration, Division of Retirement, Chapter 60T-1, Local Retirement Systems' Actuarial Reports.

#### STATEMENT BY ENROLLED ACTUARY

This actuarial valuation and/or cost determination was prepared and completed by the undersigned or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, 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 provided for 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.

Respectfully submitted,

10/13/2014

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Stephen Lambert-Oswald, F.S.A., E.A., M.A.A.A.  
Enrollment No. 14-07225

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Date

# City of Panama City Beach Firefighters' Pension Plan

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# City of Panama City Beach Firefighters' Pension Plan

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## City of Panama City Beach Firefighters' Pension Plan

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### Development of Normal Cost for State Minimum Required Contribution

October 1, 2013

	<u>Current</u>	<u>Proposed</u>
1. Number of Participants		
Active	27	27
Terminated with Vested Benefits	2	2
Retirees and Beneficiaries	10	10
Total	39	39
2. Participant's Compensation		
a. Below Normal Retirement Age	\$ 1,218,753	\$ 1,218,753
b. Beyond Normal Retirement Age	355,017	355,017
c. Total	\$ 1,573,770	\$ 1,573,770
3. Present Value of Benefits		
Active	\$ 9,760,425	\$ 9,760,425
Terminated with Vested Benefits	141,881	141,881
Retirees	4,854,605	4,854,605
Excess State Monies Reserve	156,118	156,118
Total	\$ 14,913,029	\$ 14,913,029
4. Unfunded Actuarial Accrued Liability	\$ 1,156,489	\$ 1,156,489
5. Actuarial Value of Assets	\$ 10,487,060	\$ 10,487,060
6. Past Excess Contributions	\$ 53,699	\$ 53,699
7. Present Value of Future Employee Contributions	\$ 782,075	\$ 433,306
8. Present Value of Future City Normal Costs = (3) – (4) – [(5) – (6)] – (7)	\$ 2,541,104	\$ 2,889,873
9. Present Value of Future Compensation	\$ 9,548,955	\$ 9,548,955
10. Normal Cost Rate = (8) ÷ (9)	26.61%	30.26%
11. Normal Cost = (2a) x (10)	\$ 324,310	\$ 368,795

# City of Panama City Beach Firefighters' Pension Plan

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## State Minimum Required Contribution

October 1, 2013

	Plan Year Ended	
	<u>Current</u>	<u>Proposed</u>
1. Normal Cost	\$ 324,310	\$ 368,795
2. Amortization of Actuarial Accrued Liability	\$ 212,145	\$ 212,145
3. Interest Adjustment on (1) and (2) for Quarterly Payment	\$ 21,045	\$ 22,790
4. Expenses		
Current Year Estimate Equal to Prior Year's Actual	\$ 52,660	\$ 52,660
Make-up for Shortfall in Prior Year's Estimate	<u>(1,914)</u>	<u>(1,914)</u>
Total	\$ 50,746	\$ 50,746
5. Estimated State Premium Tax Refund (Equal to Prior Year's Actual Refund and Excluding Excess Premium Tax Revenues That Have Not Been Used to Provide Additional Benefits)	\$ 153,904	\$ 198,946
6. Past Excess Contributions plus Interest Adjusted for Quarterly Payment	\$ 55,806	\$ 55,806
7. Minimum Required Contribution by City for Fiscal Year = (1) + (2) + (3) + (4) – (5) – (6)	\$ 398,536	\$ 399,724
8. Percent of Participants' Compensation Below Normal Retirement Age*	32.70%	32.80%

\* Under a new state interpretation, the actual required contribution is based on this percentage of actual, not estimated, Participants' Compensation Below Normal Retirement Age.



**City of Panama City Beach  
Firefighters' Pension Plan**

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**Unfunded Frozen Initial and Supplemental Liabilities**

October 1, 2013

	Initial Amount to be Amortized	Beginning Amortization Period	Original Amortization Period (Years)	Years Remaining	(BOY) Annual Amortization Amount	Unamortized Balance as of 10/01/2013
Redetermined Liability (Fresh Start)	\$ 1,271,134	10/01/2008	17	12	\$ 129,021	\$1,050,097
Benefit Improvement*	467,395	10/01/2008	7	2	83,124	160,091
					\$ 212,145	
						1. Unamortized Balance as of 10/1/2013 \$ 1,210,188
						2. Past Excess Contributions <u>53,699</u>
						3. Remaining Unfunded Liabilities = (1) - (2) \$ 1,156,489

\* Increase in Multiplier from 3.00% to 3.35% (\$790,399), plus unamortized balance (\$47,089) of prior benefit improvement (Supplemental Benefit of \$350 per month), less Cumulative Set Aside for Future Improvements (\$370,093)

## City of Panama City Beach Firefighters' Pension Plan

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### Schedule Illustrating the Amortization of Unfunded Liabilities Existing This Date

October 1, 2013

October 1	Liability
2013	\$ 1,156,489
2014	1,019,891
2015	872,366
2016	802,813
2019	558,951
2020	464,324
2021	501,470

The first figure is the Unfunded Frozen Initial and Supplemental Liabilities as of the current valuation date. For each year thereafter, the preceding year's Unfunded Liability is reduced by the annual amortization amount shown on the page titled History of Unfunded Frozen and Supplemental Liabilities and increased with interest at 8.00% per annum.

Thus the remaining amortization period as of the October 1, 2013, valuation is 2022 less 2013, or 9 years.

## City of Panama City Beach Firefighters' Pension Plan

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### Past Excess Contributions (State Requirements)

October 1, 2013

	Plan Year Ended	
	<u>09/30/2012</u>	<u>9/30/2013</u>
<b>Charges:</b>		
Deficiency Brought Forward	\$ -	\$ -
Normal Cost	N/A	N/A
Expenses (Estimated and Make up)	N/A	N/A
Amortization of Frozen Initial and Supplemental Liabilities	N/A	N/A
Required City Contribution, per State*	298,614	529,192
State (Estimated)	153,904	153,904
Interest	<u>14,846</u>	<u>24,657</u>
Total Charges	\$ 467,364	\$ 707,753
<b>Credits:</b>		
Excess Contribution Brought Forward	\$ 172,926	\$ 284,059
City Contributions	392,240	285,661
State Contributions (Excluding Excess Premium Tax Revenues That Have Not Been Used to Provide Additional Benefits)	153,904	153,904
Interest	<u>32,353</u>	<u>37,828</u>
Total Credits	\$ 751,423	\$ 761,452
<b>Balance:</b>		
Excess Contribution Carried Forward	<u>\$ 284,059</u>	<u>\$ 53,699</u>
Deficiency Carried Forward	<u>\$ -</u>	<u>\$ -</u>

\*Under a new state interpretation, the actual required contribution is based on the required contribution rate times actual Participants' Compensation Below Normal Retirement Age for the Plan Year. See the "State Required Exhibit" for this determination.

## City of Panama City Beach Firefighters' Pension Plan

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### Market Value of Assets

October 1, 2013

	<u>10/01/2012</u>	<u>10/01/2013</u>
<b>Assets:</b>		
Cash	\$ 363,319.36	\$ 577,990.22
Certificates of Deposit	-	-
Government and Corporate Bond Funds	2,988,996.26	2,971,182.15
Real Estate and Equity Funds	6,516,572.03	8,219,718.58
Due from City Funds	18,461.26	-
Due from State of Florida	53,112.15	48,217.29
Accrued Interest	-	-
Miscellaneous Receivable	-	-
	<u>\$ 9,940,461.06</u>	<u>\$ 11,817,108.24</u>
<b>Liabilities and Fund Balance:</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ (17,863.85)	\$ (15,076.78)
Refunds or Benefits Payable	-	(50,785.00)
Due Other Funds	-	-
	<u>\$ (17,863.85)</u>	<u>\$ (65,861.78)</u>
<b>Total Liabilities</b>	<u>\$ (17,863.85)</u>	<u>\$ (65,861.78)</u>
<b>Pension Fund Balance:</b>	<u>\$ 9,922,597.21</u>	<u>\$ 11,751,246.46</u>

# City of Panama City Beach Firefighters' Pension Plan

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## Reconciliation of Assets (Market Value)

October 1, 2013

Plan Year Ended

	<u>09/30/2012</u>	<u>09/30/2013</u>
<b>Revenues:</b>		
City Contributions	\$ 392,240.46	\$ 285,661.13
Employee Contributions	144,022.60	149,826.47
State Contributions	203,764.69	198,946.32
Repayment of Contributions	-	-
Interest & Dividends	203,473.50	245,490.34
Unrealized/Realized Gains (Losses)	1,323,939.78	1,215,603.98
Commissions	-	-
	\$ 2,267,441.03	\$ 2,095,528.24
<b>Expenses:</b>		
Pension Payments	\$ 148,573.74	\$ 214,218.64
Contribution Refunds	-	-
DROP Payments	224,421.75	-
Investment Expenses	31,614.78	27,460.23
Other Expenses	22,959.21	25,200.11
	\$ 427,569.48	\$ 266,878.98
<b>Net Income:</b>	\$ 1,839,871.55	\$ 1,828,649.26
<b>Fund Balance, Beginning of Year:</b>	\$ 8,082,725.65	\$ 9,922,597.20
<b>Fund Balance, End of Year:</b>	\$ 9,922,597.20	\$ 11,751,246.46

**City of Panama City Beach  
Firefighters' Pension Plan**

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**Investment Gain/(Loss)**

October 1, 2013

	10/01/2013	10/01/2012	10/01/2011	10/01/2010
1. Date of Actuarial Value of Assets:				
2. Market Value as of Prior Year (including receivable contributions)	\$ 9,922,597	\$ 8,082,726	\$ 7,496,023	\$ 6,206,963
3. Receivable Contribution included above	\$ -	\$ -	\$ -	\$ -
4. Market Value Excluding Receivable (2) - (3)	\$ 9,922,597	\$ 8,082,726	\$ 7,496,023	\$ 6,206,963
5. Employer, Employee & State Contributions (made for the year, i.e., excluding the receivable contribution, item (3), but including contributions made after the end of the year with no expected return thereon)	\$ 634,434	\$ 740,028	\$ 745,670	\$ 686,027
6. Benefit Distributions	\$ 214,219	\$ 372,995	\$ 61,204	\$ 55,304
7. Administrative Expenses	\$ 52,660	\$ 54,574	\$ 74,085	\$ 68,119
8. Expected Return %	8.00%	8.00%	8.00%	8.00%
a. Item (4) for 1 year	\$ 793,808	\$ 646,618	\$ 599,682	\$ 496,557
b. Item (3) for partial & (5) for 1/2 year	24,889	29,032	29,253	26,913
c. Item (6) for 1/2 year	(8,404)	(14,633)	(2,401)	(2,170)
d. Item (7) for 1/2 year	(2,066)	(2,141)	(2,906)	(2,672)
	<u>\$ 808,227</u>	<u>\$ 658,876</u>	<u>\$ 623,628</u>	<u>\$ 518,628</u>
9. Expected Market Value (2)+(5)-(6)-(7)+(8)	\$ 11,098,379	\$ 9,054,060	\$ 8,730,032	\$ 7,288,196
10. Actual Market Value this Year (including receivable contributions)	\$ 11,751,246	\$ 9,922,597	\$ 8,082,726	\$ 7,496,023
11. Investment Gain/(Loss) from Experience	\$ 652,867	\$ 868,537	\$ (647,306)	\$ 207,827

# City of Panama City Beach Firefighters' Pension Plan

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## Actuarial Value of Assets

October 1, 2013

5 -YEAR SMOOTHED MARKET VALUE WITHOUT PHASE-IN	10/01/2013
1. Market Value of Assets	\$ 11,751,246
2. Investment Gains/(Losses) for Four Prior Years	
a. Oct-12	\$ 652,867
b. Oct-11	868,537
c. Oct-10	(647,306)
d. Oct-09	207,827
3. Unrecognized Investment Gains/(Losses)	
a. Oct-12 80% of (2)(a)	\$ 522,294
b. Oct-11 60% of (2)(b)	521,122
c. Oct-10 40% of (2)(c)	(258,922)
d. Oct-09 20% of (2)(d)	<u>41,565</u>
e. Total: (a)+(b)+(c)+(d)	\$ 826,059
4. Preliminary Actuarial Value of Assets = (1) - (3)(e)	\$ 10,925,187
5. Adjustment to be within 20% of market value	\$ -
6. Actuarial Value of Assets = (4) + (5)	\$ 10,925,187

## City of Panama City Beach Firefighters' Pension Plan

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### Allocation of Actuarial Value of Assets to the Reserve for Other Retirement Benefits (i.e., Excluding DROP)

October 1, 2013

	<u>Actuarial Value Allocated in Proportion to Market Value</u>	<u>Market Value</u>
Reserve for DROP	\$ 438,127	\$ 471,254
Reserve for Other Retirement Benefits	<u>10,487,060</u>	<u>11,279,992</u>
<b>Total Fund Balances</b>	<b>\$ 10,925,187</b>	<b>\$ 11,751,246</b>



## City of Panama City Beach Firefighters' Pension Plan

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### Funded Status – Accrued Benefits (ASC 960)

October 1, 2013

Generally the best measures of the Funded Status of a defined benefit plan are considered to be the levels of funding of the Actuarial Present Values of Accumulated Plan Benefits and Vested Benefits. Accumulated Plan Benefits are those future benefit payments that are attributable under the plan's provisions to employees' service rendered prior to the valuation date. Accumulated Plan Benefits are based on employees' actual pay histories, or estimates thereof; possible future salary increases or changes in Social Security levels are not recognized. Vested Benefits are those benefits which are nonforfeitable under the plan's vesting provisions.

The Actuarial Present Value of Accumulated Plan Benefits is the amount resulting from the application of actuarial assumptions to the Accumulated Plan Benefits to reflect the time value of money and the probabilities of death, disability, withdrawal and retirement. Underlying these assumptions (described on the Actuarial Basis page) is an assumption of an ongoing plan. Since most Accumulated Plan Benefits are generally synonymous with "Accrued Benefits" as defined in the plan, the Actuarial Present Value of Accumulated Plan Benefits has also been called the Present Value of Accrued Benefits.

	<u>Current</u>	<u>Proposed</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS*</b>	\$ 10,487,060	\$ 10,487,060
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</b>		
Vested Benefits		
Participants Currently Receiving Payments	\$ 4,854,605	\$ 4,854,605
All Other Participants	5,608,359	5,608,359
<b>TOTAL VESTED BENEFITS</b>	<b>\$ 10,462,964</b>	<b>\$ 10,462,964</b>
Percent Funded	100%	100%
<b>NONVESTED BENEFITS</b>	985,375	985,375
<b>EXCESS STATE MONIES RESERVE</b>	156,118	156,118
<b>TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</b>	<b>\$ 11,604,457</b>	<b>\$ 11,604,457</b>
Percent Funded	90%	90%

\* Actuarial Value of Assets

## City of Panama City Beach Firefighters' Pension Plan

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### Funded Status – Accrued Benefits (ASC 960) (Continued)

October 1, 2013

	<u>Current</u>	<u>Proposed</u>
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AS OF PRIOR VALUATION DATE</b>	\$ 10,653,128	\$ 10,653,128
Increase (Decrease) During the Year Attributable to:		
Increase for Interest Due to the Decrease in the Discount Period	\$ 843,681	\$ 843,681
Benefits Paid	(214,219)	(214,219)
Benefits Accumulated, Turnover, Other Experience	321,867	321,867
Change in Actuarial Assumptions	-	-
Plan Amendment	-	-
Net Increase (Decrease)	\$ 951,329	\$ 951,329
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AS OF CURRENT VALUATION DATE</b>	<b>\$ 11,604,457</b>	<b>\$ 11,604,457</b>

**City of Panama City Beach  
Firefighters' Pension Plan**

**Funding Status and Progress Under  
Governmental Accounting Standards Board Statement #25 (GASB 25)**

October 1, 2013

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Present Value of Future Benefits b1	Present Value of Future Employee Contributions b2	Present Value of Future City Normal Costs b3	Past Excess Contributions b4	Actuarial Accrued Liability b5	Unfunded Actuarial Liability (b5) - a	Funded Ratio a/(b5)	Covered Payroll c	Unfunded as a Percent of Covered Payroll ((b5)-a)/c
10/01/1994	\$ 838,965	\$ 1,588,853	\$ 272,249	\$ 477,639	N/A	\$ 838,965	\$ 0	100.0%	\$ 564,177	0.0%
10/01/1995	1,082,173	1,844,171	245,146	516,852	N/A	1,082,173	0	100.0%	600,717	0.0%
10/01/1996	1,345,685	1,915,136	236,027	333,424	N/A	1,345,685	0	100.0%	591,123	0.0%
10/01/1997	1,792,709	2,166,684	250,674	379,395	256,094	1,792,709	0	100.0%	646,834	0.0%
10/01/1998	1,990,909	2,671,997	279,495	677,486	275,893	1,990,909	0	100.0%	750,386	0.0%
10/01/1999	2,298,436	3,116,709	320,515	749,928	252,170	2,298,436	0	100.0%	878,159	0.0%
10/01/2000	2,670,486	3,711,923	452,380	841,471	252,414	2,670,486	0	100.0%	829,019	0.0%
10/01/2001	2,456,292	4,163,384	480,017	1,181,509	240,431	2,742,289	285,997	89.6%	853,005	33.5%
10/01/2002	2,825,667	4,512,761	496,603	901,154	115,040	3,230,044	404,377	87.5%	838,009	48.3%
10/01/2003	3,013,524	4,953,458	514,256	954,871	20,519	3,504,850	491,326	86.0%	900,721	54.5%
10/01/2004	3,323,947	5,435,633	516,032	1,115,992	12,003	3,815,612	491,665	87.1%	950,004	51.8%
10/01/2005	3,743,331	5,943,476	502,088	1,218,652	9,803	4,232,539	489,208	88.4%	986,895	49.6%
10/01/2006	4,358,938	6,762,623	564,166	1,379,461	12,787	4,831,783	472,845	90.2%	955,056	49.5%
10/01/2007	5,251,015	8,059,331	671,448	1,743,988	41,239	5,685,134	434,119		1,030,342	42.1%
10/01/2008	6,115,855	9,572,062	708,925	1,124,233	57,690	7,796,594	1,680,739	78.4%	1,127,668	149.0%
10/01/2009	6,857,541	10,926,046	809,220	1,784,871	86,987	8,418,942	1,561,401	81.5%	1,363,753	114.5%
10/01/2010	7,721,149	11,676,367	759,576	1,781,801	68,651	9,203,641	1,482,492	83.9%	1,240,477	119.5%
10/01/2011	8,498,360	12,964,237	765,949	2,599,663	172,926	9,771,551	1,273,191	87.0%	1,281,165	99.4%
10/01/2012	9,356,187	14,025,213	813,937	3,090,518	284,059	10,404,817	1,048,630	89.9%	1,351,699	77.6%
10/01/2013	10,487,060	14,913,029	433,306	2,889,873	53,699	11,643,549	1,156,489	90.1%	1,218,753	94.9%

\* Actuarial Accrued Liability equals the excess of the Present Value of Future Benefits (b1) over the sum of the Present Value of Future Employee Contributions and the Present Value of Future City Normal Cost ((b2) + (b3)), plus the Past Excess Contributions (b4).

**City of Panama City Beach  
Firefighters' Pension Plan**

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**Annual Pension Cost and Net Pension Obligation Under  
Governmental Accounting Standards Board Statement #27  
(GASB 27)**

October 1, 2013

	Plan Year Ended	
	Final <u>09/30/2013</u>	Estimated <u>9/30/2014</u>
<b>Annual Required Contribution (ARC):</b>		
1. Normal Cost (as for State Minimum Required Contribution)	N/A	\$ 324,310
2. Net Amortization Charge	N/A	212,145
3. Expenses	N/A	50,746
4. Minimum Required City Contribution*	240,706	N/A
5. State (Estimated)	153,904	N/A
6. Interest on (1) and (2) for Quarterly Payment	N/A	21,045
7. Total = Annual Required Contribution	\$ 394,610	\$ 608,246
<b>Annual Pension Cost (APC):</b>		
1. Annual Required Contribution	\$ 394,610	\$ 608,246
2. Interest on the Net Pension Obligation	(40,872)	(45,849)
3. Adjustment to the Annual Required Contribution**	71,014	81,335
4. Annual Pension Cost = (1) + (2) + (3)	\$ 424,752	\$ 643,732
<b>Net Pension Obligation (NPO):</b>		
1. Net Pension Obligation at End of Prior Year	\$ (510,905)	\$ (573,108)
2. Annual Pension Cost	\$ 424,752	\$ 643,732
3. Actual Employer Contribution (City and State)	\$ 484,607	Pending
4. Change in Net Pension Obligation = (2) – (3)	\$ (59,855)	Pending
5. Interest on (4) to End of Year	\$ (2,348)	Pending
6. Net Pension Obligation = (1) + (4) + (5)	\$ (573,108)	Pending
<b>Average Remaining Service Life of Active Members</b>	7.770	7.610

\*Under a new state interpretation, the actual required contribution is based on a percentage of actual, not projected, Participants' Compensation Below Normal Retirement Age.

\*\*The Net Pension Obligation as of the beginning of the year is amortized as a level dollar amount over the Average Remaining Service Life of Active Members.

**City of Panama City Beach  
Firefighters' Pension Plan**

**Schedule of Contributions and Net Pension Obligation (GASB 27)**

October 1, 2013

Fiscal Year Ending	Annual Required Cost (ARC)* a	City and State Contributions Made b	Percentage of ARC Contributed b / a	Annual Pension Cost (APC) c	Percentage of APC Contributed b / c	Net Pension Obligation
09/30/1995	\$ 55,659	\$ 87,487	157.2%	N/A	N/A	N/A
09/30/1996	80,706	116,246	144.0%	N/A	N/A	(182,467)
09/30/1997	57,475	112,110	195.1%	57,475	195.1%	(237,102)
09/30/1998	74,245	70,780	95.3%	76,795	92.2%	(231,087)
09/30/1999	116,826	68,351	58.5%	120,389	56.8%	(179,049)
09/30/2000	134,348	113,877	84.8%	146,196	77.9%	(145,462)
09/30/2001	130,935	98,998	75.6%	140,108	70.7%	(102,739)
09/30/2002	243,823	107,657	44.2%	253,270	42.5%	48,586
09/30/2003	221,505	121,697	54.9%	218,437	55.7%	149,121
09/30/2004	241,386	231,612	96.0%	231,549	100.0%	149,056
09/30/2005	284,229	281,189	98.9%	273,681	102.7%	141,253
09/30/2006	279,765	313,856	112.2%	269,273	116.6%	94,921
09/30/2007	319,200	469,262	147.0%	311,462	150.7%	(69,069)
09/30/2008	360,188	587,297	163.1%	364,271	161.2%	(300,844)
09/30/2009	479,613	508,381	106.0%	499,090	101.9%	(310,499)
09/30/2010	533,688	540,160	101.2%	557,520	96.9%	(292,458)
09/30/2011	475,162	595,602	125.3%	504,322	118.1%	(387,319)
09/30/2012	452,518	596,005	131.7%	477,084	124.9%	(510,905)
09/30/2013	394,610	484,607	122.8%	424,752	114.1%	(573,108)
09/30/2014 **	608,246	Pending	Pending	643,732	Pending	Pending

\* Does not include credit for Past Excess Contributions

\*\* Estimated

**City of Panama City Beach  
Firefighters' Pension Plan**

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**Participant Data Summary**

October 1, 2013

	Active	DROP	Terminated			Beneficiaries	Total
			Vested	Disabled	Retired		
<b>October 1, 2012</b>	<b>29</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>40</b>
New Entrants							-
Retirements		(1)			1		-
Disabilities							-
Terminations							
a) with refund	(1)						(1)
b) without refund							-
DROP enrollments	(1)	1					-
Deaths							
a) with beneficiaries							-
b) without beneficiaries							-
Benefits Expired							
Other							-
<b>October 1, 2013</b>	<b>27</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>156,157</b>
<b>Average Age</b>	<b>37.2</b>	<b>55.9</b>	<b>48.2</b>	<b>47.3</b>	<b>59.3</b>		

**Active Participants as of 10/01/2012**

	Males	Females	Total
Number of Participants	29	0	29
Average Age Nearest Birthday	37.1	n/a	37.1
Average Completed Years of Service	11.1	n/a	11.1
Average Compensation for Prior Year	\$52,067	n/a	\$52,067

**Active Participants as of 10/01/2013**

	Males	Females	Total
Number of Participants	27	0	27
Average Age Nearest Birthday	37.2	n/a	37.2
Average Completed Years of Service	11.8	n/a	11.8
Average Compensation for Prior Year	\$54,988	n/a	\$54,988

**City of Panama City Beach  
Firefighters' Pension Plan**

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**Age and Service Distribution**

October 1, 2013

Age	Years of Service						Total	
	0-4	5-9	10-14	15-19	20-24	25-29		30+
Under 25	-	-	-	-	-	-	-	0
25-29	3	2	-	-	-	-	-	5
30-34	2	5	1	-	-	-	-	8
35-39	1	-	1	-	-	-	-	2
40-44	-	2	2	1	2	1	-	8
45-49	-	-	-	-	1	1	-	2
50-54	-	-	-	-	1	1	-	2
55-59	-	-	-	-	-	-	-	0
60-64	-	-	-	-	-	-	-	0
65 and over	-	-	-	-	-	-	-	0
<b>Total</b>	<b>6</b>	<b>9</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>27</b>

## City of Panama City Beach Firefighters' Pension Plan

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### Comparison of Actual vs. Assumed Salary Increases and Investment Returns

October 1, 2013

#### Salary Increases

Year Ended September 30,	Actual	Assumed
1989	6.00% *	6.0%
1990	11.3%	6.0%
1991	8.1%	6.0%
1992	19.9%	6.0%
1993	8.0%	6.0%
1994	5.5%	6.0%
1995	6.5%	6.0%
1996	5.9%	6.0%
1997	5.7%	6.0%
1998	15.5%	6.0%
1999	10.1%	6.0%
2000	1.3%	6.0%
2001	9.5%	6.0%
2002	9.3%	6.0%
2003	3.7%	6.0%
2004	5.8%	6.0%
2005	3.9%	6.0%
2006	8.6%	6.0%
2007	4.2%	6.0%
2008	9.7%	6.0%
2009	13.2%	6.0%
2010	0.6%	6.0%
2011	8.8%	6.0%
2012	4.1%	6.0%
2013	6.5%	6.0%
Last 5 Years, Compounded	6.6%	6.0%

Each figure is the rate of increase in weighted average compensation from the prior year, as reported for the actuarial valuations. The average includes only continuing active employees who have a full year of compensation in both the current and prior years, based on their reported dates of employment. Prior to September 30, 2001, employees with less than a full year of compensation in the prior year were also included by annualizing their compensation on a pro rata basis.

\* Reflects change in the definition of Compensation for benefit purposes



## City of Panama City Beach Firefighters' Pension Plan

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### Comparison of Actual vs. Assumed Salary Increases and Investment Returns (Continued)

October 1, 2013

#### Investment Return

Year Ended September 30,	Actual	Assumed
1989	6.18%	8.0%
1990	2.42%	8.0%
1991	2.98%	8.0%
1992	26.77%	8.0%
1993	11.52%	8.0%
1994	0.18%	8.0%
1995	16.21%	8.0%
1996	13.29%	8.0%
1997	24.15%	8.0%
1998	7.01%	8.0%
1999	12.22%	8.0%
2000	10.58%	8.0%
2001	(5.13%)	8.0%
2002	(4.07%)	8.0%
2003	3.63%	8.0%
2004	3.88%	8.0%
2005	4.84%	8.0%
2006	7.85%	8.0%
2007	10.19%	8.0%
2008	6.24%	8.0%
2009	4.24%	8.0%
2010	4.80%	8.0%
2011	3.74%	8.0%
2012	5.13%	8.0%
2013	9.84%	8.0%
Last 5 Years, Compounded	5.53%	8.0%

The actual experience figures are the approximate time-weighted rates of return for the particular year. Through September 30, 2002, the return shown is from market value to market value; thereafter the return is from smoothed value to smoothed value. Income includes dividends, interest, and realized and unrealized gains (losses), based upon statements of Fund Balances provided by the City. The time-weighted rates reflect estimated transaction dates for income, employer, employee and state contributions, expenses, and disbursements.

# City of Panama City Beach Firefighters' Pension Plan

## State Required Exhibit

October 1, 2013

	<u>Current</u>	<u>Proposed</u>
<b>A. <u>Member Data</u></b>		
1. Active Members	27	27
2. Retired Members and beneficiaries receiving benefits (including DROP)	9	9
3. Disabled Members receiving benefits	1	1
4. Terminated vested Members	2	2
5. Prior year active compensation	\$ 1,484,689	\$ 1,484,689
6. Annual benefits payable to retirees and beneficiaries (including DROP)	\$ 345,893	\$ 345,893
7. Annual benefits payable to disabled retirees	\$ 48,487	\$ 48,487
8. Annual benefits payable to terminated vested Members	\$ 19,718	\$ 19,718
<b>B. <u>Assets</u></b>		
1. Actuarial value	\$ 10,487,060	\$ 10,487,060
2. Market value	11,279,992	11,279,992
<b>C. <u>Liabilities</u></b>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 8,837,407	\$ 8,837,407
b. Termination benefits	840,216	840,216
c. Death benefits	29,364	29,364
d. Disability benefits	53,438	53,438
e. Total	\$ 9,760,425	\$ 9,760,425
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 141,881	\$ 141,881
3. Actuarial present value of future expected benefit payments for members currently receiving benefits		
a. Service retired, beneficiaries and DROP	\$ 4,227,275	\$ 4,227,275
b. Disability retired	627,330	627,330
c. Total	\$ 4,854,605	\$ 4,854,605
4. Excess State Monies Reserve	\$ 156,118	\$ 156,118
5. Total actuarial present value of future expected benefit payments	\$ 14,913,029	\$ 14,913,029
6. Entry age normal accrued liability	\$ 12,830,121	\$ 12,830,121
7. Unfunded entry age normal accrued liability	\$ 2,343,061	\$ 2,343,061
8. Liabilities at FRS discount rate		
a. Discount rate	7.75%	7.75%
b. Entry age normal accrued liability	\$ 13,212,393	\$ 13,212,393
c. Unfunded entry age normal accrued liability	\$ 2,725,333	\$ 2,725,333

## City of Panama City Beach Firefighters' Pension Plan

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### State Required Exhibit (Continued)

October 1, 2013

	<u>Current</u>	<u>Proposed</u>
<b>D. <u>Statement of Accumulated Plan Benefits</u></b>		
1. Actuarial present value of accumulated vested benefits		
a. Members currently receiving benefits (including DROP)	\$ 4,854,605	\$ 4,854,605
b. Other Members	5,608,359	5,608,359
c. Total	\$ 10,462,964	\$ 10,462,964
2. Actuarial present value of accumulated non-vested plan benefits	985,375	985,375
3. Excess State Monies Reserve	156,118	156,118
4. Total actuarial present value of accumulated plan benefits	\$ 11,604,457	\$ 11,604,457
5. Liabilities at FRS discount rate		
a. Discount rate	7.75%	7.75%
b. Actuarial present value of accumulated vested benefits	\$ 10,756,604	\$ 10,756,604
c. Total actuarial present value of accumulated plan benefits	\$ 11,934,265	\$ 11,934,265
<b>E. <u>Statement of Change in Accumulated Plan Benefits</u></b>		
1. Actuarial present value of accumulated plan benefits as of Prior Valuation Date	\$ 10,653,128	\$ 10,653,128
2. Increase (decrease) during year attributable to:		
a. Plan amendment	0	0
b. Change in actuarial assumptions	0	0
c. Benefits paid	(214,219)	(214,219)
d. Other, including benefits accumulated and increase for interest due to decrease in the discount period	1,165,548	1,165,548
e. Net increase	\$ 951,329	\$ 951,329
3. Actuarial present value of accumulated plan benefits as of Current Valuation Date	\$ 11,604,457	\$ 11,604,457

## City of Panama City Beach Firefighters' Pension Plan

**State Required Exhibit (Continued)**

October 1, 2013

Actuarial Valuation Date For Contribution Year	<u>10/01/2011</u> 2011-12	<u>10/01/2012</u> 2012-13
<b>F. <u>Past Contributions</u></b>		
1. Total contribution required		
a. City		
i. Estimated Dollars, from Actuarial Valuation	\$ 302,956	\$ 246,243
ii. Percentage of Participants' Compensation	23.65%	18.22%
iii. Actual Compensation Under NRA	\$ 1,262,641	\$ 1,321,107
iv. Required, per new state interpretation = (ii.) x (iii.)	\$ 298,614	\$ 240,706
b. State (Estimated)	153,904	153,904
c. Member*	126,112	129,323
d. Total = (a.iv.) + (b.) + (c.)	\$ 578,630	\$ 523,933
2. Actual contributions made:		
a. City	\$ 392,240	\$ 285,661
b. State**	153,904	153,904
c. Member	144,023	149,826
d. Total	\$ 690,167	\$ 589,391
<b>G. <u>Net Actuarial Gain (Loss)</u></b>	N/A	N/A
<b>H. <u>Disclosure of Following Items:</u></b>	<u>10/01/2012</u>	<u>10/01/2013</u>
1. Actuarial present value of future salaries - attained age***	\$ 9,872,223	\$ 9,548,955
2. Actuarial present value of future employee contributions - attained age***	\$ 813,937	\$ 782,075
3. Actuarial present value of future contributions from other sources	N/A	N/A
4. Amount of active members' accumulated contributions	\$ 1,046,345	\$ 1,088,825
5. Actuarial present value of future salaries and future benefits at entry age	Not provided by system	
6. Actuarial present value of future employee contributions at entry age	Not provided by system	

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\* Determined by applying the required employee contribution rate (11.5% for members in the 25 & out tier, 8.1% for all others) to expected compensation for the year for participants under Normal Retirement Age (NRA)

\*\* Excluding Excess Premium Tax Revenues that have not been used to provide Additional Benefits

\*\*\* Participants under Normal Retirement Age (NRA) only

## City of Panama City Beach Firefighters' Pension Plan

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### Reconciliation of DROP Participants and Assets

October 1, 2013

Participants as of 10/01/2012	4
New DROP Members	1
New DROP's, Withdrew during PY	0
All Other Withdrawals	0
Corrections	(1)
Participants as of 10/01/2013	4

	<b>Total</b>
Assets as of 10/01/2012	\$247,062.44
Payments into DROP	206,811.37
Earnings	17,379.85
Distributions	0.00
Expenses	0.00
Adjustments	0.00
Assets as of 10/01/2013	\$471,253.66

**City of Panama City Beach  
Firefighters' Pension Plan**

**History of Excess Premium Tax Revenues**

October 1, 2013

	<u>Regular</u>			<u>Supplemental Compensation Fund</u>			<u>Total</u>			
	<u>Cash Received</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess Over Frozen Amount</u>	<u>Cash Received</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess Over Frozen Amount</u>	<u>Total Excess = Additional Premium Tax Revenue</u>	<u>Current Year Benefit Improvements</u>	<u>Set Aside for Future Improvements</u>	<u>Cumulative Set Aside for Future Improvements</u>
09/30/1998	\$ 48,873.25	\$ 48,873.25	\$ 0.00	\$ 21,907.17	\$ 21,907.17	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09/30/1999	44,211.49	48,873.25	0.00	24,139.40	21,907.17	2,232.23	2,232.23	0.00	2,232.23	2,232.23
09/30/2000	70,881.88	48,873.25	22,008.63	40,444.30	21,907.17	18,537.13	40,545.76	0.00	40,545.76	42,777.99
09/30/2001	48,577.26	48,873.25	0.00	25,381.58	21,907.17	3,474.41	3,474.41	46,252.40 (1)	0.00	0.00
09/30/2002	54,888.30	48,873.25	6,015.05	28,691.11	21,907.17	6,783.94	12,798.99	41,181.00 (2)	0.00	0.00
09/30/2003	61,580.73	48,873.25	12,707.48	34,312.47	21,907.17	12,405.30	25,112.78	41,181.00	0.00	0.00
09/30/2004	66,676.24	48,873.25	17,802.99	40,043.17	21,907.17	18,136.00	35,938.99	41,181.00	0.00	0.00
09/30/2005	73,517.87	48,873.25	24,644.62	42,460.12	21,907.17	20,552.95	45,197.57	41,181.00	4,016.57	4,016.57
09/30/2006	87,444.59	48,873.25	38,571.34	52,473.25	21,907.17	30,566.08	69,137.42	41,181.00	27,956.42	31,972.99
09/30/2007	127,251.63	48,873.25	78,378.38	108,377.15	21,907.17	86,469.98	164,848.36	41,181.00	123,667.36	155,640.35
09/30/2008	182,873.74	48,873.25	134,000.49	143,540.37	21,907.17	121,633.20	255,633.69	370,093.00 (3)	0.00	0.00
09/30/2009	116,306.62	48,873.25	67,433.37	42,616.18	21,907.17	20,709.01	88,142.38	83,124.00 (4)	5,018.38	5,018.38
09/30/2010	136,553.57	48,873.25	87,680.32	48,163.22	21,907.17	26,256.05	113,936.37	156,118.00	0.00	5,018.38
09/30/2011	137,445.52	48,873.25	88,572.27	41,843.68	21,907.17	19,936.51	108,508.78	83,124.00	25,384.78	30,403.16
09/30/2012	150,652.54	48,873.25	101,779.29	53,112.15	21,907.17	31,204.98	132,984.27	83,124.00	49,860.27	80,263.43
09/30/2013	150,729.03	48,873.25	101,855.78	48,217.29	21,907.17	26,310.12	128,165.90	83,124.00	45,041.90	125,305.33
09/30/2014			0.00			0.00	0.00		0.00	125,305.33

Notes:

- (1) Additional Benefits adopted (\$350 per month Supplemental Benefit) with a lump sum cost in excess of the available \$46,252.40.
- (2) Additional Benefits adopted (\$350 per month Supplemental Benefit) with an annual cost initially valued as \$41,181.
- (3) Additional Benefits adopted (3.00% Multiplier changed to 3.35%) with a lump sum cost in excess of the available \$370,093.
- (4) Additional Benefits adopted (3.00% Multiplier changed to 3.35%) with an annual cost initially valued as \$83,124.

# City of Panama City Beach Firefighters' Pension Plan

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## Summary of Major Plan Provisions

October 1, 2013

**Effective Date:** August 25, 1971.

**Plan Year:** October 1 to September 30.

**Last Amendment:** Restatement (Ordinance 670) effective June 8, 2000. First Amendment (Ordinance 723) effective June 14, 2001 (adding Early Retirement and \$350 per month supplement). Second Amendment (Ordinance 792) effective April 10, 2003 (for various law and other changes). Third Amendment (Ordinance 889) effective July 22, 2004 (changing investment policy). Fourth Amendment (Ordinance 984) effective November 1, 2005 (adding 25 & Out Tier). Fifth Amendment (Ordinance 1030) effective May 11, 2006 (changing various provisions as required by new IRS rules). Sixth Amendment (Ordinance 1085) effective July 26, 2007 (adding 5% fixed investment return option for DROP). Seventh Amendment (Ordinance 1127) effective October 1, 2008 (increasing multiplier from 3.00% to 3.35%). Restatement (Ordinance 1157) adopted August 17, 2009. First Amendment (Ordinance 1220) effective February 9, 2012 (adding 300 hours of overtime cap).

**Eligibility:** All permanent Firefighters who have passed the medical examination.

**Employee Contributions:** 11.5% of Compensation for Firefighters who elect the 25 & Out Tier, else 8.1% of Compensation (5.0% prior to June 8, 2000). Employee Contributions are excluded from taxable income under IRC Section 414(h). The election of the 25 & Out Tier is irrevocable.

**Compensation:** Total compensation paid by the City for services rendered as reported on Form W-2, plus all tax deferred, tax sheltered or tax exempt amounts derived from elective employee contributions or salary reductions. Compensation includes regular pay, overtime (up to 300 hours) and other cash incentives. Payments of leave amounts (vacation, sick, etc.) upon termination of employment shall not be included. Auto allowance and mileage reimbursements shall not be included. Compensation in excess of the IRC Section 401(a)(17) limit is disregarded.

**Average Final Compensation:** The Compensation received during the 5 years out of the last 10 years of Credited Service divided by 60, which produces the highest average, or the career average as a full-time Firefighter, if greater.

**Credited Service:** Years and fractional parts of years of service as a Firefighter with the City and while making Employee Contributions.

**Accrued Benefit:** The benefit using the formula for the Normal Retirement Benefit, based upon the Average Final Compensation and Credited Service as of the date of the calculation. The Accrued Benefit is payable at the Normal Retirement Date in the Normal Form of Benefit.

**Accumulated Contributions:** A participant's contributions with interest compounded annually at 5.25% through June 3, 2000; after that date interest is no longer accrued.

**Normal Retirement Date:** The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of Credited Service or (2) the date he attains age 55 and has completed at least 10 years of Credited Service, or (3) if he has elected the 25 & Out Tier, the date he has completed at least 25 years of Credited Service regardless of age.

## City of Panama City Beach Firefighters' Pension Plan

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**Early Retirement Date:** The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of Credited Service.

**Normal Form of Benefit:** A monthly annuity for life with 10 years certain.

**Optional Forms of Benefit:** Benefits Actuarially Equivalent to the benefit provided under the Normal Form of Benefit; optional forms:

- a. Life annuity (with no modified cash refund feature),
- b. Joint and survivor annuity (100%, 75%, 66 2/3% or 50%; reducing upon death of participant only),
- c. Level income option,
- d. Any of the above forms, increasing 3% per year on each January 1 (the Actuarially Equivalent adjustment recognizes that the regular retirement benefit includes a 1% COLA and that the \$350 Per Month Supplemental Benefit does not), or
- e. Lump Sum if under \$5,000, or less than \$100 per month.

**Normal Retirement Benefit:** A monthly benefit commencing at the Normal Retirement Date equal to 3.35% of Average Final Compensation multiplied by years of Credited Service, but not more than 100% of Average Final Compensation (excluding COLA's).

**Late Retirement Benefit:** Additional benefits will accrue after the Normal Retirement Date.

**Early Retirement Benefit:** A participant who elects to retire on or after his Early Retirement Date may receive an Early Retirement Benefit commencing at his Normal Retirement Date equal to his Accrued Benefit. If he further elects to have such benefit commence prior to his Normal Retirement Date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date. For this purpose Normal Retirement Date is determined based on the participant's actual years of Credited Service as a Firefighter at his termination date.

**Death Benefit:** The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a Death Benefit equal to 100 times his monthly Accrued Benefit based on his Credited Service and Average Final Compensation as of the time of death. This benefit is payable in a lump sum unless the Firefighter elected that it be paid in an Actuarially Equivalent annuity or installments. The Plan also provides minimum Death Benefits based upon the vested, 10-year-certain portion of the Normal Form of Benefit or the refund of Accumulated Contributions.

**Termination of Employment Benefit:** A participant who terminates his employment after completing ten years of Credited Service for reason other than death, disability or retirement shall be entitled to a vested deferred monthly benefit commencing at his Normal Retirement Date equal to his Accrued Benefit. Any participant may withdraw his Accumulated Contributions; a vested participant who withdraws his Accumulated Contributions forfeits his rights to his vested Accrued Benefit or Death Benefit.

If a participant terminates after completing 10 years but prior to being eligible for retirement:

- With less than 20 years of Credited Service, his annuity can begin unreduced at age 55 or reduced (3% per year) between ages 50 and 55, or
- With 20 or more years of Credited Service, his annuity can begin unreduced at age 50.



## City of Panama City Beach Firefighters' Pension Plan

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**Disability Benefit:** A Participant who becomes totally and permanently disabled shall be eligible to receive a Disability Benefit in the form of an immediate monthly annuity for life with ten years certain as follows:

**Job-Related Disability:** Without regard to years of Credited Service, a benefit equal to the greater of his Accrued Benefit or 42% of Average Final Compensation as of the date of disability.

**Non-Job-Related Disability:** With ten or more years of Credited Service, a benefit equal to his Accrued Benefit as of the date of disability.

The Disability Benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional Forms of Benefit may be elected.

**Actuarial Equivalent:** A benefit or amount of equal value, based upon the 1983 Group Annuity Mortality Table for Males and an interest rate of 8% per annum. In practice, in accordance with the prior document, the Table for Males is used for all Firefighters, regardless of sex, and the same table with ages set back 6 years is used for all beneficiaries and survivor annuitants, regardless of sex.

**Cost-of-Living Adjustment:** All retirees, including disabled retirees, who retired on or after June 8, 2000, (including Firefighters who terminate with a deferred benefit after such date, once they retire) and their survivor annuitants shall receive on the first January 1 following one full year of retirement, and on each January 1 thereafter, a 1% cost-of-living adjustment on their regular retirement benefit; the \$350 Per Month Supplemental Benefit does not receive a COLA.

**Maximum Benefits:** IRC Section 415 limits apply as modified for governmental plans and for police and fire plans.

### Deferred Retirement Option Program (DROP):

- a. **Eligibility:** Normal Retirement.
- b. **Benefit Amount:** The participant's Accrued Benefit calculated as of the beginning of the DROP period, accumulated quarterly with interest at a rate equal to either the Pension Plan's net investment performance during the quarter or a fixed guaranteed rate of 5% annually, plus cost-of-living adjustments, if any, during the DROP period. The participant elects which interest basis he wants upon his entry into the DROP, and may change such election only once during the DROP period.
- c. **Form of Benefit:** When the DROP period ends (maximum 5 years), the employee must terminate employment. At that time, the accumulated DROP benefits will be distributed in the form of a lump sum, a rollover, or a nonforfeitable fixed annuity to the participant, or if deceased, such participant's designated beneficiary. In addition, the monthly annuity, including any COLA adjustments, will continue to the participant as otherwise provided in the Plan.
- d. **Other Provisions:** A participant in DROP is no longer eligible for Death or Disability Benefits. Employee Contributions are no longer collected, and Credited Service and Average Final Compensation are frozen as of the date of entry into DROP.

**\$350 Per Month Supplemental Benefit:** Firefighters who retire from active service only receive a supplemental monthly benefit of \$350 payable for life only, without any COLA. This benefit is not provided for firefighters who terminate prior to being eligible for early, normal or disability retirement, nor is it provided for beneficiaries of deceased firefighters, nor their joint annuitants. However, when he retires a firefighter may elect to have the \$350 benefit paid in one of the reduced, Actuarially Equivalent Optional Forms of Benefit; this includes having it paid as a reduced, Actuarially Equivalent, increasing annuity under the 3% increasing annuity option.

# City of Panama City Beach Firefighters' Pension Plan

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## Actuarial Basis

October 1, 2013

### ACTUARIAL COST METHOD

Entry Age Normal with Frozen Initial Liability. Changes in actuarial assumptions are reflected in Normal Cost. Since at least 1999, all changes in plan benefits have been funded either by increases in the employee contribution rate or by increased Premium Tax Revenues.

### ACTUARIAL ASSUMPTIONS

**Investment Yield:** The investment rate of earnings is assumed to be 8.00% per annum.

**Interest on Employee Contributions:** No interest is credited beyond June 8, 2000.

**Mortality:** Mortality is based on the RP-2000 (Retirement Plans-2000) Tables projected according to the year of valuation. The RP-2000 Tables are sex-distinct. The tables for annuitants, i.e., participants already in pay status, are projected 7 years beyond the valuation date. The tables for nonannuitants are projected 15 years beyond the valuation date. [ProVal name: IRS 2008+ Static (Dynamic)]

**Disability:** Preretirement disability is assumed to occur in accordance with a standard scale of disability rates (1955 UAW, male and female). Sample rates are shown below:

Age	Probability of Disablement	
	Male	Female
20	0.03%	0.04%
30	0.04%	0.06%
40	0.07%	0.10%
50	0.18%	0.26%
60	0.90%	1.21%

Twenty-five percent of disabilities are assumed to be non-job-related.

**Withdrawal:** Preretirement withdrawals are assumed to occur in accordance with a standard scale of turnover rates (T-5). Sample rates are shown below:

Age	Probability of Withdrawal
20	7.9%
30	7.2%
40	5.2%
50	2.6%

**Salary Scale:** Future salaries are assumed to increase at the rate of 6% per year.

## City of Panama City Beach Firefighters' Pension Plan

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**Actuarial Value of Assets:** Assets are valued using a 5-year smoothed market value without phase-in.

**Retirement Rate:** Each active participant is assumed to retire on the later of the actuarial valuation date or his Normal Retirement Date.

**Timing of Contribution:** The contribution is assumed to be made quarterly throughout the plan year.

**Employees Covered:** All participants as of the actuarial valuation date.

**Expenses:** Expenses for the current year are assumed to equal actual expenses for the prior year. If actual expenses for the current year differ from this estimate, a make-up contribution or credit is included.

**Maximum Compensation:** Compensation is limited to \$255,000 projected to increase at the rate of 4% per annum.

**Maximum Benefits:** The \$205,000 maximum for years ending in 2013 and other applicable Benefit Limitations under Section 415 are projected to increase at the rate of 4% per annum.

**Completeness of Assumptions:** All benefits and expenses to be provided by the Plan are recognized in the valuation. All known events are taken into account; no current trends are assumed to discontinue in the future.

### COMPARABILITY WITH PRIOR VALUATION

**Significant Events During the Year:** None.

**Significant Changes in the Summary of Major Plan Provisions:** None.

**Significant Changes in the Actuarial Cost Method or Actuarial Assumptions:** None.

**Other Information Needed to Fully and Fairly Disclose the Actuarial Position of the Plan:** None.

# City of Panama City Beach Firefighters' Pension Plan

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## Actuarial Cost Method "Entry Age Normal with Frozen Initial Liability"

October 1, 2013

An actuarial valuation is a series of mathematical calculations which project future benefits under a pension plan and future contributions to fund those benefits. The true cost of a pension plan cannot be determined until the last benefit is paid, because the true cost is the actual benefits ultimately paid, plus the expense of maintaining the plan, less the actual income earned on invested funds. Since funding cannot wait until the last benefit is paid, however, actuarial assumptions are used to project ultimate benefit levels and the reserves needed to provide them. An actuarial cost method is then used to establish a reasonable pattern of contributions to accumulate those reserves. The assumptions and cost method themselves, therefore, only impact on the incidence of funding, not the true cost. Each new valuation automatically corrects for any differences between the assumptions and actual experience, and the correction is spread over the current and future years of funding.

The Entry Age Normal with Frozen Initial Liability cost method spreads the funding of a portion of the pension benefits over the future service of all active participants and the balance is funded in a separate amortization schedule.

The Frozen Initial Liability is determined and fixed in the first year the cost method is adopted, although it may be redetermined or a supplemental piece added when the Plan is amended. The Frozen Initial Liability is the excess of the Present Value of Benefits over the sum of (a) the Present Value of Future Entry Age Normal Costs, (b) the Present Value of Future Employee Contributions, and (c) the Actuarial Value of Assets in the Trust Fund. The Entry Age Normal Cost is the annual cost determined by assuming the current Plan was always in effect and calculating the amount needed to produce level funding of benefits for all current participants from the date they would have entered the Plan. The Frozen Initial Liability may be amortized over as many as 40 years.

In each subsequent year, the order of steps is reversed. The Present Value of Future Normal Costs is calculated as the excess of the Present Value of Benefits over the sum of (a) the unfunded portion of the Frozen Initial Liability, (b) the Actuarial Value of Assets and (c) the Present Value of Future Employee Contributions.

The Normal Cost is developed by spreading the Present Value of Future City Normal Costs over the future compensation of all participants as a level percentage of pay, i.e., by dividing it by the Present Value of Future Compensation to get the Normal Cost Rate. The Normal Cost is the product of the Normal Cost Rate and the current Participants' Compensation. Actuarial gains or losses are included in the Present Value of Future Normal Costs, and are reflected in the Normal Cost Rate and thereby spread over the remaining future service of the participants in the Normal Cost. The Frozen Initial Liability is not adjusted for actuarial gains or losses.

## City of Panama City Beach Firefighters' Pension Plan

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The state minimum required contribution in a particular year is equal to the Normal Cost, plus a level amount which will amortize the Frozen Initial Liability and supplemental bases over the applicable number of years, plus expected and "make-up" expenses, less the Past Excess Contributions.

In the event of either a negative Normal Cost or an unfunded liability that is zero or less, the Cost Method will operate temporarily as the Aggregate Cost Method, in effect, until a positive unfunded liability is established at the time of a plan amendment, when a new Frozen Initial Liability is established.

The calculation of the contribution has been made in a manner that assumes quarterly payment during the Plan Year. In order to meet the state minimum funding requirements, the state minimum required contribution must be made at least quarterly during the Plan Year.