

CITY OF ORLANDO GENERAL EMPLOYEES' PENSION FUND
ACTUARIAL VALUATION REPORT
SEPTEMBER 30, 2008

January 20, 2009

The City of Orlando
and
The Pension Advisory Committee
City of Orlando General Employees' Pension Fund
Orlando, Florida

Submitted in this report are the results of an actuarial valuation of the funded status and contribution requirements associated with benefits provided by the City of Orlando General Employees' Pension Fund.

The date of the valuation was September 30, 2008.

Actuarial valuation highlights and our Statement by Enrolled Actuary immediately follow this cover letter.

Valuation results are contained in Section B.

The valuation was based upon information, furnished by the City, concerning Pension Fund benefits, financial transactions, and individual members, terminated members, retired members and beneficiaries. Data was checked for reasonableness and missing information but was not otherwise audited. This information is summarized in Section C.

A description of the actuarial valuation process, actuarial assumptions, and definitions of technical terms are contained in Section D.

Governmental Accounting Standards Board Statements No. 25 and No. 27 information is contained in Section E.

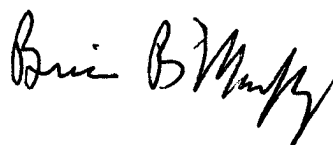
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable.

The signing actuaries are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA



Brian B. Murphy, FSA, EA, MAAA

BLA/BBM/sew

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SECTION A

**VALUATION HIGHLIGHTS AND STATEMENT BY
ENROLLED ACTUARY**

ACTUARIAL VALUATION HIGHLIGHTS

SEPTEMBER 30, 2008

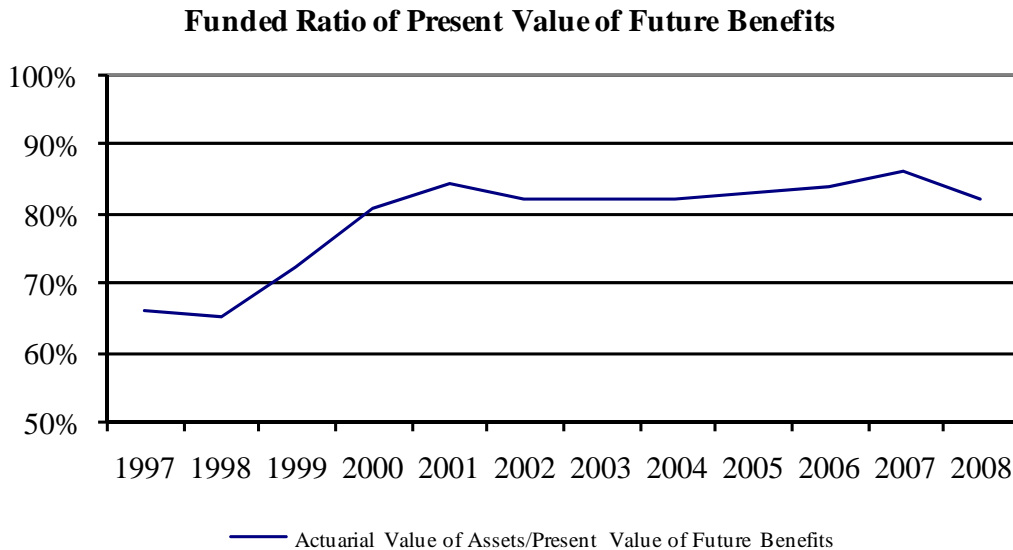
FUNDING OBJECTIVE

The funding objective of the Pension Fund is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Orlando citizens.

The annual actuarial valuation measures the relationship between Pension Fund obligations and assets and determines the contribution rate for the ensuing year.

VALUATION RESULTS - FUNDING PROGRESS INDICATORS

With the Fund closed to new hires, costs have been computed using the aggregate cost method. The design of the aggregate cost method is to target that all benefits are fully funded when the plan has no active members. Percent of pay contributions will become increasingly sensitive to gains and losses as the covered payroll decreases. Under the aggregate cost method, the present value of future benefits (PVFB) is reduced by the actuarial value of assets and the present value of future member contributions. The remainder is financed by City contributions as a level percent of future payroll. The method does not generate an actuarial accrued liability. The percentage of PVFB funded by the actuarial value of assets is shown below.



Funded ratios are located on page E-3.

VALUATION RESULTS - FUNDING PROGRESS INDICATORS

The overall activities of the members during the year increased the obligations of the Fund about as projected by the long-term funding assumptions, even though certain individual assumptions deviated from expected.

26 retirements versus 21 expected.

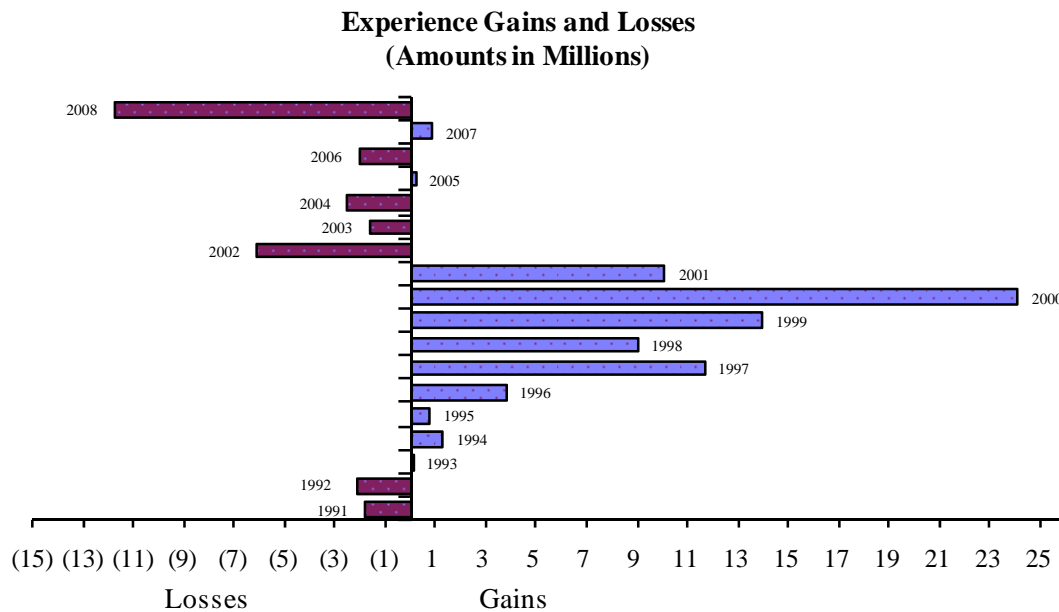
3 terminations of members versus 10 expected.

3.9% increase in salary versus 4.4% expected.

2.0% actuarial value rate of return versus 8.0% expected.

The market rate of return, net of investment expenses, on assets was (15.2%) versus an 8.0% long-term assumption. The asset valuation method recognizes a portion of this year's loss and combines it with portions of gains that occurred from 2005 – 2007. The result is a \$10.5M (\$6.9M due to smoothing and \$3.6 due to application of the 115% corridor) recognized investment loss for the year. Note that for funding purposes, asset values and rates of return are smoothed over a 4-year period and the ratio of market value to actuarial value is restricted to an 85% to 115% corridor. Please refer to page C-7 for further details.

The net result of the participant and fiscal activities was unfavorable, generating a \$11.81 million net experience loss, which represents 5.7% of the present value of future benefits at the beginning of the year.



Derivation of the current and prior year's experience gain/(loss) is located on page B-5.

VALUATION RESULTS - CONTRIBUTION REQUIREMENT

The contribution requirements for the 2008-2009 and 2009-2010 fiscal years are:

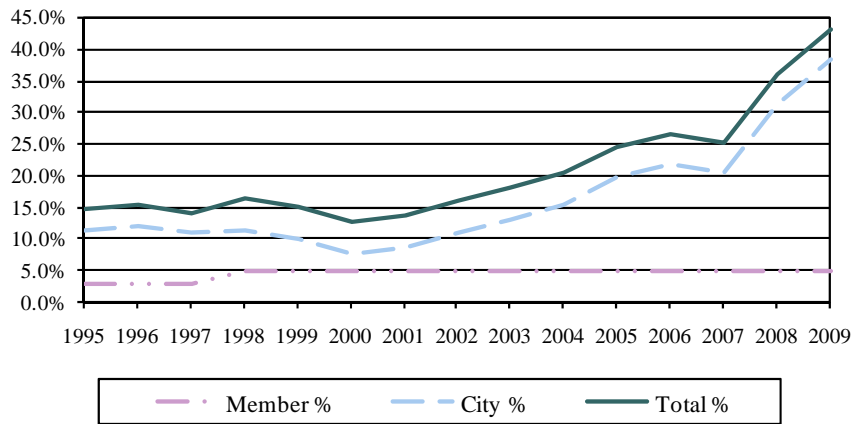
4.88% of pay by active members and;

31.12% of active member covered payroll by the City for 2008-2009

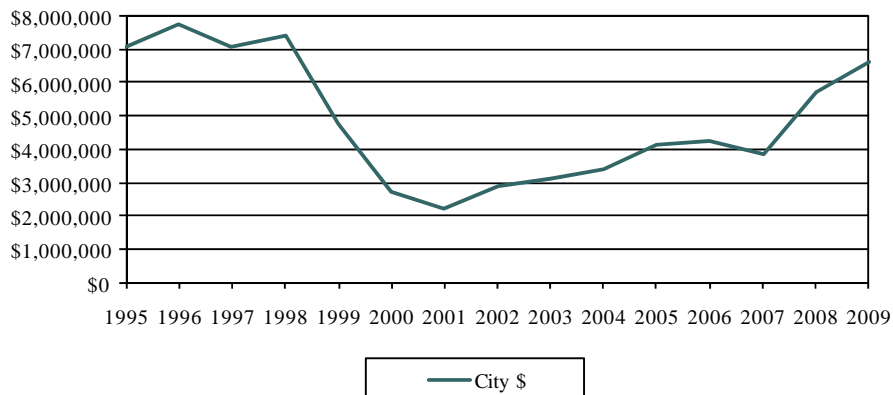
38.16% of active member covered payroll by the City for 2009-2010

The City contribution rate for the 2007-2008 fiscal year was 20.31% of payroll. The 2008-2009 fiscal year contribution requirement reflects a 10.81% increase in the percent of payroll contribution from the prior year. The 2009-2010 fiscal year contribution requirement reflects a 7.04% increase in the percent of payroll contribution from the prior year.

Contribution Rates



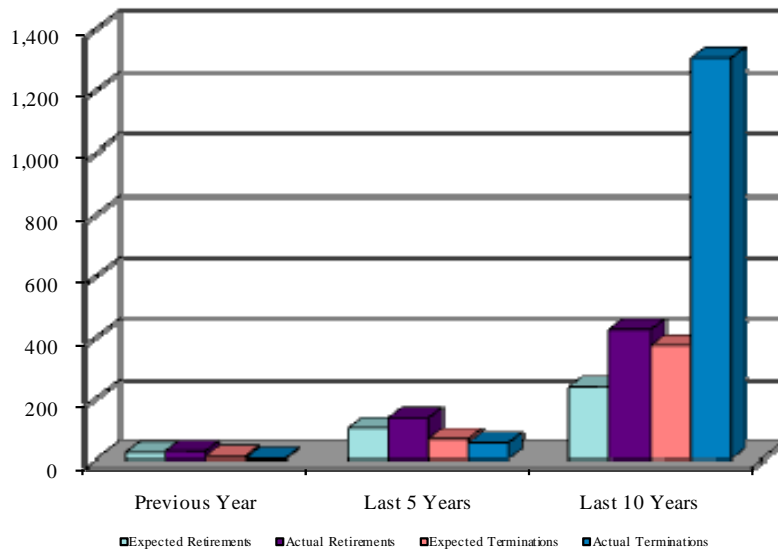
Employer Contributions



Comparative contribution information is located on page B-6. Composition of the current City contribution rate is located on page B-1.

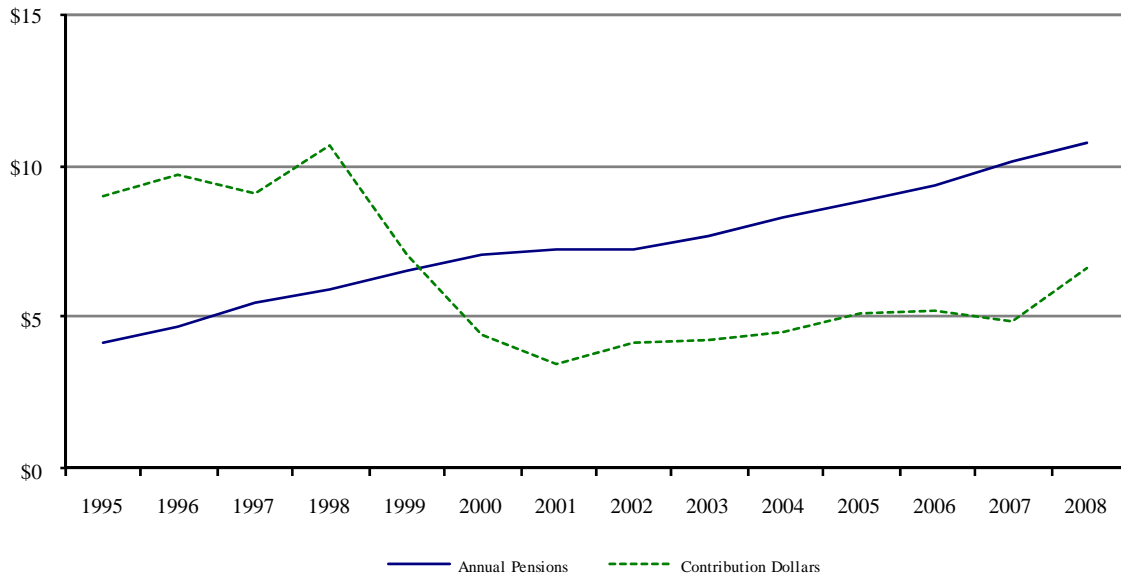
HISTORICAL COMPARISONS

Retirement and Terminations



DC transfers are included in the chart above as Retirements or Terminations as appropriate.

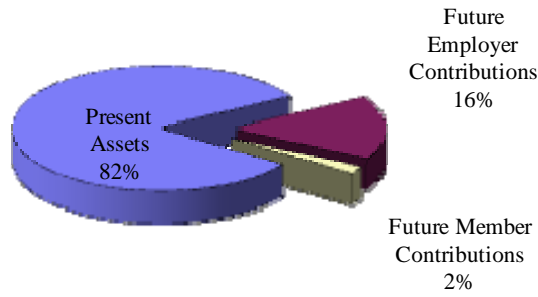
Pension Payments and Total Contributions (In Millions of Dollars)



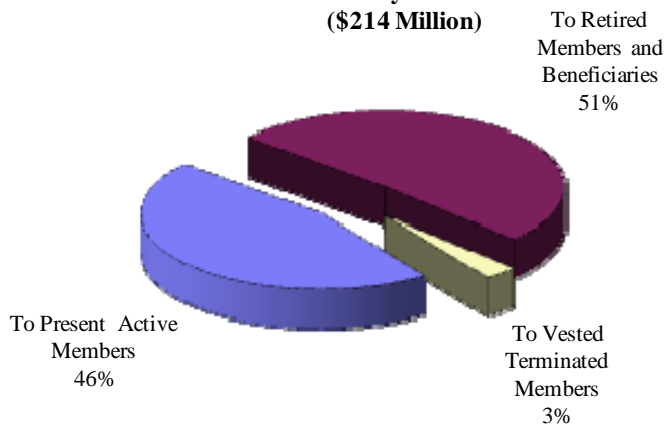
FUND OBLIGATIONS AND SOURCES OF FUNDING

SEPTEMBER 30, 2008

Present Resources and Expected Future Resources
(\$214 Million)



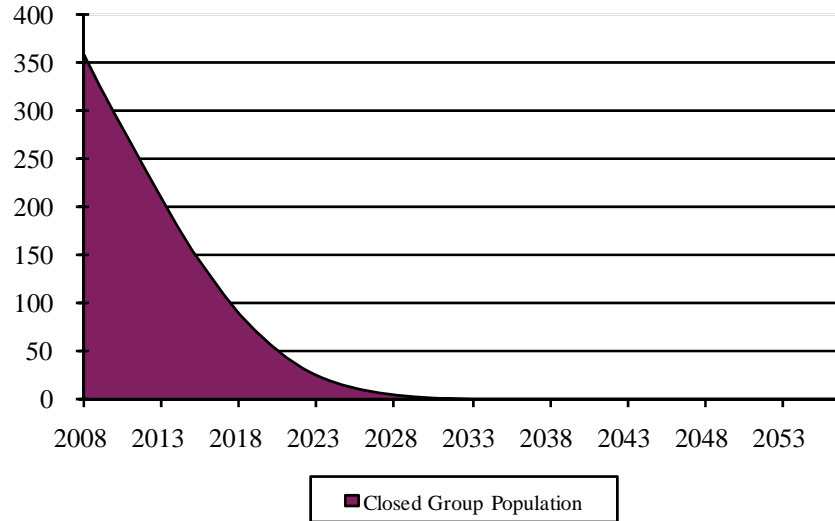
Actuarial Present Value of Expected Future Benefit Payments and Reserves
(\$214 Million)



The actuarial balance sheet is located on page B-7.

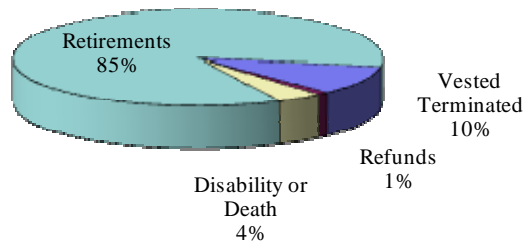
EXPECTED DEVELOPMENT OF PRESENT ACTIVE POPULATION SEPTEMBER 30, 2008

Closed Active Group Population Projection



The charts show the expected future development of the present population in simplified terms. The pension fund presently covers 359 active members. About 85% of the present population is expected to receive monthly retirement benefits by retiring directly from active service. The remaining 15% of the present population is expected to become eligible for vested terminated, refunds, disability, or death-in-service benefits. **Within 7 years, over half of the covered membership is expected to exit the Active Member Group.**

Expected Terminations from Active Employment For Current Active Members



COMMENTS

Plan Experience

The activities of the Pension Fund and its members generated an experience loss of \$11.81 million on an aggregate basis during the plan year ended September 30, 2008. The market value rate of return on plan assets this year was -15.2%. Asset returns on the funding value basis used for the valuation were less than anticipated for the year, 2.0% versus 8.0%. \$3.58 million of the experience loss was due to the 115% upper bound of the corridor, which limits the smoothing of investment returns. The loss results in a much higher percent of payroll contribution due to the combination of a declining payroll, a declining amortization period, investment losses, and the 115% corridor. Please refer to pages C-5, C-7, C-8, C-14, D-4, D-5, and D-6 for additional experience information.

Plan Amendments

None.

Changes in Actuarial Cost Method

The method is the same, except that this report determines contribution requirements for two years: the current year and the year ending two years after the valuation date. Future reports will only determine the contribution requirements for the year ending two years after the valuation date.

Changes in Assumptions

None. The next experience review of the Pension Fund will be based on the five-year period ending September 30, 2009.

Looking Ahead

Currently the actuarial value of assets, which is used to determine the funded status and contribution rates for the plan, is greater than the market value of assets by 15%, or \$23.0 million (see C-7). This is a unfavorable situation. It means that there are losses to be recognized in the 2009 report. Those losses will put upward pressure of about 8% of payroll on the contribution requirements in the absence of offsetting gains. The second component of determining the funded status and contribution rates is the use of the aggregate cost method. This method results in contributions being made during the expected future working lifetime of the active members. This method will become more volatile as the active membership declines and the funding horizon will decrease from about 7 years as of this valuation to 1 year. The Pension Advisory Committee may wish to consider a minimum funding horizon of 3 to 5 years to reduce volatility.

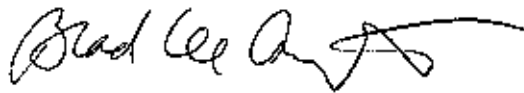
CONCLUSION

Pension Fund contribution rates are expected to fluctuate from year to year as experience emerges and economic conditions change. The expectation inherent in the funding of a pension fund is that year to year fluctuations will tend to cancel over periods of 5 to 10 years and result in stable conditions over these periods.

Over time, the funded ratio of a pension fund is expected to converge to 100%, but the basic trend may be interrupted by events such as benefit increases or changes in actuarial cost methods and assumptions, or severe market downturns. Fund experience has been in line with this expectation. Since the implementation of the aggregate actuarial cost method in 1998, the funded status has increased from 65.3% to 82.3%.

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation and/or cost determination was prepared and completed by me 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, of the 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 taken into account 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.



Brad Lee Armstrong, ASA, MAAA, EA [08-5614]

January 20, 2009

Date

SECTION B

DETAILED VALUATION RESULTS

**CONTRIBUTIONS TO FINANCE BENEFITS OF THE PENSION FUND
FOR THE PLAN YEAR BEGINNING OCTOBER 1
TO BE CONTRIBUTED DURING THE FISCAL YEAR
COINCIDENT WITH THE PLAN YEAR**

Contributions for	Contributions Expressed as Percents of Active Member Covered Payroll	
	2008	2007
Development of Normal Cost		
a) Present value of future benefit payments	\$ 214,257,429	\$ 208,685,974
b) Actuarial value of assets	(176,361,314)	(179,926,736)
c) Unfunded present value of future benefit payments	37,896,115	28,759,238
d) Present value of future compensation	106,788,073	116,646,935
e) Normal cost: (c ÷ d)	35.49%	24.65%
Administrative Expenses	0.51%	0.54%
Total Normal Cost	36.00%	25.19%
Member portion	4.88%	4.88%
City portion	31.12%	20.31%

FS 112.64 requires City contributions to be deposited not less frequently than quarterly. Member contributions, which are in addition to the City contributions, must be deposited not less frequently than monthly.

Procedures for determining dollar contribution amounts are shown on page B-2.

Comparative contribution amounts for prior fiscal years are shown on page B-6.

DETERMINING DOLLAR CONTRIBUTIONS

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. We recommend one of the following procedures.

Procedure 1. Contribute dollar amounts at the end of each payroll period that are equal to the City's percent-of-payroll contribution requirement multiplied by the *active member covered payroll* for the period. Adjustments should be made as necessary to exclude items of pay that are not compensation for Pension Fund benefits and to include non-payroll amounts that are compensation for Pension Fund benefits.

Procedure 2. Contribute the annual amounts of \$5,702,267 for City normal cost and administrative expenses during the fiscal year beginning October 1, 2008 and \$6,630,606 during the fiscal year beginning October 1, 2009 on at least a quarterly schedule to comply with FS112.64. The above dollar amount is based on base salary for the next year and is assumed to be contributed, on average, halfway through the fiscal year. Alternatively, if a monthly schedule is followed, the average city contribution would be \$475,189 for fiscal year 2008-2009 and \$552,551 for fiscal year 2009-2010. If contributions are made on a later schedule, interest should be added at the rate of 0.64% (0.0064) for each month of delay.

Procedure 3. City contributions totaling \$812,486 were made in October and November 2008. The City contributes the remainder as a lump sum, \$4,771,747, on December 31, 2008. Alternatively, the City contributes \$613,081 on December 31, 2008 and the remainder as a lump sum, \$4,185,423, on January 31, 2009.

Beginning October 2009, the city contributes amounts of \$552,551 for City normal cost and administrative expenses for the last three months of 2009 with the remainder, \$4,865,625, paid as a lump sum on January 31, 2010. Alternatively, the city contributes an amount of \$6,380,304 for City normal cost and administrative expenses, paid as a lump sum on October 1, 2009.

FUNDING PROGRESS INDICATORS

There is no single all-encompassing indicator that measures a pension fund's funding progress and current funded status.

Three reliable indicators of funding progress and funded status are described below and shown on page B-4.

Indicator (1) The actuarial present value of gains or losses realized in the operation of the Pension Fund - an experience indicator. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) and sizable year to year fluctuations are common. Further details on the derivation of the gain (loss) are shown on page B-5.

Indicator (2) The ratio of the actuarial value of assets to the present value of future benefits - a funding level indicator. The ratio is expected to converge to 100% as the active membership in the plan is eliminated, but the basic trend may be interrupted by certain events such as benefit improvements, changes in actuarial cost methods or changes in actuarial assumptions. The black line on page B-4 denotes where the change to the aggregate actuarial cost method in 1998 resulted in a decrease in the funded status of the fund. Information concerning the fund ratio both before and after this change in method are provided to allow the reader to draw more appropriate conclusions concerning the funded status trend of the plan.

Indicator (3) The ratio of the unfunded present value of future benefits to active member payroll - an inflation adjusted indicator. In a soundly financed pension fund, the amount of the unfunded present value of future benefits will be controlled and prevented from increasing in the absence of benefit improvements. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease over time but the basic trend may be interrupted by certain events such as benefit improvements, changes in actuarial cost methods or changes in actuarial assumptions.

FUNDING PROGRESS INDICATORS - HISTORICAL COMPARISON
(\$ AMOUNTS IN MILLIONS)

Valuation Date September 30	Indicator (1)		Indicator (2)			Indicator (3)	
	Gain (Loss)	Actuarial Value of Assets	Present Value of Future Benefits (PVFB)*	Funded Ratio*	Unfunded PVFB*	Active Member Payroll	Percent of Payroll
1992	(2.21) %	\$ 77.36	\$ 103.67	74.6 %	\$ 26.31	\$53.13	49.5 %
1993	0.03	89.06	115.31	77.2	26.25	55.89	47.0
1994	1.23	101.17	126.04	80.3	24.87	58.72	42.4
1995 (a)	0.71	115.93	136.64	84.8	20.71	60.10	34.6
1996 (a)	3.73	133.66	155.93	85.7	22.27	61.94	36.0
1997	11.60	158.48	168.52	94.0	10.04	63.13	15.9
1998 (b)	--	183.32	183.61	99.8	0.29	63.46	0.5
(a)	--	183.32	200.68	91.4	17.36	63.46	27.4
(b)#	--	183.32	252.86	72.5	69.54	63.46	109.6
(a)#	8.95	183.32	280.84	65.3	97.52	63.46	153.7
1999	13.86	174.80	240.99	72.5	66.19	46.85	141.3
2000	24.04	169.89	210.24	80.8	40.35	35.34	114.2
2001	10.04	155.28	184.21	84.3	28.93	25.78	112.2
2002	(6.16)	157.44	191.14	82.4	33.70	26.07	129.3
2003	(1.69)	158.37	192.14	82.4	33.77	24.02	140.6
2004 (a)	(2.56)	159.84	194.40	82.2	34.56	22.26	155.2
2005 (b)	--	163.82	196.28	83.5	32.46	20.83	155.8
2005 (a)	0.15	163.82	196.84	83.2	33.02	20.83	158.5
2006	(2.12)	168.45	200.89	83.9	32.44	19.63	165.3
2007	0.81	179.93	208.69	86.2	28.76	19.14	150.3
2008	(11.81)	176.36	214.26	82.3	37.90	18.36	206.4

(b) Before changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

(a) After changes described in (b).

* Prior to the September 30, 1998 valuation the entry-age normal cost method was used. The amounts shown are based on the actuarial accrued liability under that method. Beginning with the September 30, 1998 valuation the aggregate method was used, which does not produce an unfunded accrued liability.

Includes the change to the aggregate actuarial cost method.

DERIVATION AND SOURCES OF EXPERIENCE GAIN (LOSS)

	Year Ended September 30,	
	2008	2007
Derivation of Experience Gain (Loss)		
(1) UPVFB* at start of year	\$ 28,759,238	\$32,443,654
(2) Employer and Employee contributions	4,783,470	5,255,203
(3) Interest accrual	2,109,400	2,385,284
(4) Expected UPVFB before changes:		
(1) - (2) + (3)	26,085,168	29,573,735
(5) Change from amendments	0	0
(6) Change from revised actuarial assumptions	0	0
(7) Expected UPVFB after changes:		
(4) + (5) + (6)	26,085,168	29,573,735
(8) Actual UPVFB at end of year	37,896,115	28,759,238
(9) Gain (loss): (7) - (8)	(11,810,947)	814,497
(10) Gain (loss) as percent of present value of future benefit at start of year	(5.66)%	0.4%
Sources of Experience Gain (Loss)		
Age and service retirements	(418,574)	(349,228)
Disability retirements	(30,844)	(23,932)
Death-in-service benefits	(62,733)	(48,352)
Terminations from employment	(389,065)	(506,837)
Pay increases	542,667	(2,431,424)
COLA adjustment	17	59,208
Investment return	(10,504,599)	4,056,494
Death after retirement	383,496	136,560
Total	(10,479,635)	892,489
Other	(1,331,312)	(77,992)
Gain (Loss)	\$(11,810,947)	\$ 814,497

* *Unfunded Present Value of Future Benefits. This is the present value of future benefits less the actuarial value of assets.*

CITY CONTRIBUTIONS: HISTORICAL COMPARISON
(\$ AMOUNTS IN MILLIONS)

Valuation Date September 30	Applicable Fiscal Year	Computed % of Active Member Covered Payroll	Dollar Contribution	
			Projected	Actual
1991	91-92	10.51 %	\$5.15	\$5.15
1992	92-93	10.70	5.84	5.84
1993	93-94	10.72	6.15	6.15
1994	94-95	10.57	6.37	6.37
1995 (a)	95-96	11.48	7.07	7.07
1996 (a)	96-97	12.21	7.75	7.75
1997	97-98	10.97	7.10	7.10
1998 (a)#	98-99	11.27	7.44	7.44
1999	99-00	10.14	4.75	4.75
2000	00-01	7.71	2.73	2.73
2001	01-02	8.63	2.22	2.22
2002	02-03	11.09	2.88	2.88
2003	03-04	13.06	3.12	3.12
2004 (a)	04-05	15.42	3.42	3.42
2005 (a)	05-06	19.72	4.12	4.12
2006	06-07	21.74	4.27	4.27
2007	07-08	20.31	3.85	3.85
2008	08-09	31.12	5.70	
2009	09-10	38.16	6.63	

(b) Before changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

(a) After changes described in (b).

Includes the change to the aggregate actuarial cost method.

ACTUARIAL BALANCE SHEET

Present Resources and Expected Future Resources at September 30,

	<u>2008</u>	<u>2007</u>
A. Actuarial value of assets		
1. Net assets from plan financial statements (market value)	\$153,357,664	\$188,715,384
2. Actuarial value adjustment	<u>23,003,650</u>	<u>(8,788,648)</u>
3. Actuarial value of assets	176,361,314	179,926,736
B. Actuarial present value of expected future Employer contributions	32,684,858	23,066,869
C. Actuarial present value of expected future member contributions	<u>5,211,257</u>	<u>5,692,370</u>
D. Total Present and Expected Future Resources	<u><u>\$214,257,429</u></u>	<u><u>\$208,685,974</u></u>

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retired members and beneficiaries	\$110,177,232	\$ 102,952,924
B. To vested terminated members	6,443,437	7,035,609
C. To present active members	<u>97,636,760</u>	<u>98,697,441</u>
D. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$214,257,429</u></u>	<u><u>\$208,685,974</u></u>

**ACTUARIAL PRESENT VALUE OF FUTURE
BENEFIT PAYMENTS AND COMPENSATION**

Actuarial Present Value of Future Benefit Payments	September 30,	
	2008	2007
For present active members		
Service pensions	\$ 90,254,303	\$ 90,518,179
Pre-retirement survivor pensions	2,143,651	2,171,754
Termination benefits		
Deferred service pensions	5,146,017	5,911,540
Refunds of member contributions	92,789	95,968
Total	97,636,760	98,697,441
For vested terminated members		
Regular	5,621,579	6,149,755
LTD	821,858	885,854
Total	6,443,437	7,035,609
For pension recipients		
Service retirees	105,724,204	98,552,127
Disabled retirees	267,862	293,807
Beneficiaries	4,185,166	4,106,990
Total	110,177,232	102,952,924
Total actuarial present value of future benefit payments	\$214,257,429	\$208,685,974
Actuarial present value of future compensation	\$106,788,073	\$116,646,935

PROJECTION OF CITY CONTRIBUTIONS AS OF SEPTEMBER 30, 2008

Fiscal Year Beg. 10/1	Active Member Covered Payroll At Val. Date	Projected Active Payroll During Year	Estimated Employer Contribution*	
			% of Payroll	Dollar
2008	\$18,358,988	\$18,323,480	31.12%	\$5,702,267
2009	17,450,195	17,375,802	38.16%	6,630,606
2010	16,507,073	16,378,601	46.19%	7,565,276
2011	15,500,835	15,233,621	58.61%	8,928,425
2012	14,256,282	13,946,112	58.67%	8,182,184
2013	12,982,661	12,623,490	58.74%	7,415,038
2014	11,666,671	11,258,735	58.83%	6,623,514
2015	10,310,617	9,943,831	58.94%	5,860,894
2016	9,099,362	8,659,331	59.08%	5,115,933
2017	7,792,922	7,348,349	59.28%	4,356,101
2018	6,537,182	6,148,592	59.53%	3,660,257
2019	5,451,433	5,075,849	59.86%	3,038,403

**Based upon the Fund's current actuarial assumptions being met each of the next 10 years, recognition of scheduled investment gains (losses) known as of the valuation date, and includes Administrative expenses of \$95,000 per year.*

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA SUBMITTED BY PENSION FUND

**SUMMARY OF BENEFIT PROVISIONS
CONSIDERED FOR ACTUARIAL VALUATION
(SEPTEMBER 30, 2008)**

Participation

All persons regularly employed by the City, for more than 20 hours a week and more than 5 months a year except:

- i) Police Officers
- ii) Firefighters
- iii) Employees of the Orlando Utilities Commission
- iv) Employees of the Greater Orlando Aviation Authority

This plan closed to new hires effective October 1, 1998.

Final Average Earnings

One-third (1/3) of the member's basic salary or wages for the 3 highest years during the last 10 years of credited service. Lump sum payments for unused accumulated leave time paid at termination/retirement are excluded for pension purposes.

Service (Normal) Retirement

Eligibility. Members are eligible to retire with 25 or more years of service or at age 65 or older with 5 or more years of credited service.

Pension Amount. Two and one-half percent (2.5%) of final average earnings multiplied by credited service, to a maximum pension of 75% of final average earnings. The normal form of pension is payable for life. Optional forms are available on an actuarial equivalent basis.

Service (Early) Retirement

Eligibility. Age 55 or older with 10 or more years of credited service.

Pension Amount. Two and one-half percent (2.5%) of final average earnings multiplied by credited service, to a maximum pension of 75% of final average earnings, reduced by 1/6 of 1% of the preceding amount for each month retirement precedes age 65.

**SUMMARY OF BENEFIT PROVISIONS
CONSIDERED FOR ACTUARIAL VALUATION
(SEPTEMBER 30, 2008)**

Vested Termination of Employment

Eligibility. Termination of employment with 5 or more years of credited service (2 or more years if an elected or appointed official prior to December 12, 1988).

Pension Amount. Computed in same manner as a normal or early service retirement pension, based on pension fund benefit provisions, final average earnings and credited service at time of termination.

Forfeiture. Terminated member may request refund of employee contributions with interest and forfeit entitlement to the deferred pension.

Disability Retirement

Benefits are funded and provided through a self-insured long-term disability plan. Vested termination of employment benefits are available to qualifying individuals.

Post-Retirement Survivor Benefits

Any excess of member contributions, with interest to date of retirement, over aggregate amount of pension paid is paid to beneficiary in a lump sum.

Other optional forms of payment are available on an actuarial equivalent basis.

Pre-Retirement Survivor Benefits

Eligibility Condition 1. Death after attaining age 40 with 10 or more years of credited service prior to termination of employment.

Eligibility Condition 2. Death after attaining 25 or more years of credited service prior to termination of employment.

Pension Amount under Condition 1. Fifty percent (50%) of the deceased member's actuarially reduced accrued normal service retirement pension will be paid to the surviving spouse if the marriage was of at least 1 year's duration at time of death.

**SUMMARY OF BENEFIT PROVISIONS
CONSIDERED FOR ACTUARIAL VALUATION
(SEPTEMBER 30, 2008)**

Pension Amount under Condition 2. One Hundred Percent (100%) of the deceased member's actuarially reduced accrued normal service retirement pension will be paid to the surviving spouse.

Conversion to the DC Retirement Plan. In the event of the death of a member with 10 or more years of service, as of October 1, 1998, or of a member who was hired before October 1, 1998 and died prior to October 1, 2001, the present value of his accrued benefit in the DB Plan may be transferred to the DC Plan by the member's designated beneficiary, or executor or administrator of the member's estate, provided such election is made within 6 months of the date of death.

Cost-of-Living Adjustment (COLA)

The monthly amount of pension shall be increased annually by 2% of the monthly amount paid during the prior year. Increases occur on the anniversary of the member's pension commencement date. Increases begin at the later of:

- (a) one full year of retirement; or
- (b) the earlier of:
 - (1) the attainment of age 64 or
 - (2) the completion of 4 full years of retirement.

Such cost-of-living adjustments shall apply in like manner to benefits payable to surviving spouses and to surviving pension beneficiaries.

Cost-of-living adjustments are payable to employees that retired on or after October 1, 1998. Terminated vested members are not eligible for the COLA.

**SUMMARY OF BENEFIT PROVISIONS
CONSIDERED FOR ACTUARIAL VALUATION
(SEPTEMBER 30, 2008)**

Transfers To Defined Contribution Plan

Effective October 1, 1998, members may elect to transfer to the DC Retirement Plan with the present value of their accrued benefit as of the date of transfer. Transferred participants revoke their rights to benefits under this plan. The window for transferring is unlimited except for members with less than 10 years of service as of October 1, 1998, who may only elect to transfer prior to October 1, 2001. In all cases, the amount of the transfer is calculated using actuarial equivalence factors which are cost neutral to the Fund.

Member Contributions

Member contributions: 4.88%.

City Contributions

Amounts determined actuarially in accordance with Chapter 112, Florida Statutes.

Changes Since Prior Valuation

None.

ACCOUNTING INFORMATION SUBMITTED FOR VALUATION

Statements of Change in Plan Net Assets

	Year Ended September 30,	
	2008	2007
Additions:		
a. City Contributions	\$ 3,845,482	\$ 4,273,029
b. Member Contributions:		
Basic	935,395	977,702
Buybacks	2,593	4,472
c. Total Contributions	<u>4,783,470</u>	<u>5,255,203</u>
Investment Income		
d. Interest and Dividends	5,080,567	4,626,542
e. Net Appreciation in Fair Value of Assets	(32,934,034)	19,211,736
f. Securities Lending Income	1,528,667	2,367,182
g. Management & Custodian Fees	580,398	633,669
h. Securities Lending Expense	1,284,289	2,277,122
i. Net Investment Income	<u>(28,189,487)</u>	<u>23,294,669</u>
j. Total Additions	<u>(23,406,017)</u>	<u>28,549,872</u>
Deductions:		
k. Benefits:	10,461,537	9,873,008
l. Refunds of Contributions	124,954	26,669
m. Administrative Expenses	85,837	96,614
n. Other Expenses	-	-
o. Total Deductions	<u>10,672,328</u>	<u>9,996,291</u>
Net Increase (Decrease) before Transfers	(34,078,345)	18,553,581
Transfers to Defined Contribution Plan	1,279,375	1,079,216
Net Increase (Decrease)	<u>(35,357,720)</u>	<u>17,474,365</u>
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year (From Preliminary Statements)	188,715,384	171,241,019
Adjustments After Preliminary Statements Submitted	-	-
Beginning of Year (Audited Balance)	<u>188,715,384</u>	<u>171,241,019</u>
End of Year	<u>\$153,357,664</u>	<u>\$188,715,384</u>

Summary of Assets – Market Value

	2008	2007
Cash & Equivalents	\$ 259,022	\$ 303,392
Due to Other Funds	-	-
Fixed Income	46,153,697	45,572,219
Global	24,546,365	27,678,050
Equity	75,329,321	102,252,504
Real Estate	7,154,329	12,721,356
Miscellaneous	(85,070)	187,863
Preliminary Net Assets *	<u>\$153,357,664</u>	<u>\$188,715,384</u>
Adjustments After Preliminary Statements Submitted	-	-
Net Assets	<u>\$153,357,664</u>	<u>\$188,715,384</u>

* Includes internal holding account, accounts receivable and accounts payable.

DERIVATION OF ACTUARIAL VALUE OF ASSETS

	2000	2001	2002	2003	2004	2005
A. Actuarial Value Beginning of Year	\$174,798,523	\$169,890,225	\$155,283,810	\$157,437,031	\$158,371,400	\$159,835,973
B. Market Value End of Year	182,475,647	151,616,344	136,526,758	149,968,764	155,469,701	164,881,938
C. Market Value Beginning of Year	185,204,342	182,475,647	151,616,344	136,526,758	149,968,764	155,469,701
D. Non-Investment Net Cash Flow#	(28,229,334)	(26,650,214)	(6,320,014)	(7,199,221)	(8,477,008)	(7,143,304)
E. Investment Income#						
E1. Market Total: B - C - D	25,500,639	(4,209,089)	(8,769,572)	20,641,227	13,977,945	16,555,541
E2. Amount for Immediate Recognition: (8% x A + 4% x D)	12,854,708	12,525,209	12,169,904	12,306,994	12,330,632	12,501,146
E3. Amount for Phased-In Recognition: E1-E2	12,645,931	(16,734,298)	(20,939,476)	8,334,233	1,647,313	4,054,395
F. Phased-In Recognition Investment Income						
F1. Current Year: 0.25 x E3	3,161,483	(4,183,575)	(5,234,869)	2,083,558	411,828	1,013,599
F2. First Prior Year	2,560,294	3,161,483	(4,183,575)	(5,234,869)	(2,800,879)	411,828
F3. Second Prior Year	(2,019,614)	2,560,294	3,161,483	(4,183,575)	0	(2,800,879)
F4. Third Prior Year	6,764,165	(2,019,612)	2,560,292	3,161,482	0	0
F5. Total Recognized Investment Gain	10,466,328	(481,410)	(3,696,669)	(4,173,404)	(2,389,051)	(1,375,452)
G. Corridor Adjustment						
Upper Bound	218,970,776	181,939,613	163,832,110	179,962,517	186,563,641	189,614,229
Lower Bound	145,980,518	121,293,075	109,221,406	119,975,011	124,375,761	140,149,647
Adjustment to Actuarial Value to keep within corridor	-	-	-	-	-	-
H. Actuarial Value End of Year:						
= (A) + (D) + (E2) + (F5)	169,890,225	155,283,810	157,437,031	158,371,400	159,835,973	163,818,363
I. Difference between Market & Actuarial Value	12,585,422	(3,667,466)	(20,910,273)	(8,402,636)	(4,366,272)	1,063,575
J. Actuarial Value Rate of Return#	14.5%	7.7%	5.6%	5.3%	6.5%	7.1%
K. Market Value Rate of Return#	14.9%	(2.5)%	(5.9)%	15.5%	9.6%	10.9%

Net of investment expenses.

The Actuarial Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 4 year period. During periods when investment performance exceeds the assumed rate, the Actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, the Actuarial value of assets will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, it will become equal to Market Value.

DERIVATION OF ACTUARIAL VALUE OF ASSETS

	2006	2007	2008	2009	2010	2011
A. Actuarial Value Beginning of Year	\$163,818,363	\$168,447,554	\$179,926,736			
B. Market Value End of Year	171,241,019	188,715,384	153,357,664			
C. Market Value Beginning of Year	164,881,938	171,241,019	188,715,384			
D. Non-Investment Net Cash Flow#	(6,941,321)	(5,820,304)	(7,168,233)			
E. Investment Income#						
E1. Market Total: (B) - (C) - (D)	13,300,402	23,294,669	(28,189,487)			
E2. Amount for Immediate Recognition: 8% x (A) + 4% x (D)	12,827,816	13,242,992	14,107,410			
E3. Amount for Phased-In Recognition: (E1)-(E2)	472,586	10,051,677	(42,296,897)			
F. Phased-In Recognition Investment Income						
F1. Current Year: 0.25 x (E3)	118,147	2,512,919	(10,574,224)			
F2. First Prior Year	1,013,599	118,147	2,512,919	(\$9,382,544)		
F3. Second Prior Year	411,828	1,013,599	118,147	2,512,919	(\$9,382,544)	
F4. Third Prior Year	(2,800,878)	411,829	1,013,598	118,145	2,512,920	(\$9,382,546)
F5. Total Recognized Investment Gain	(1,257,304)	4,056,494	(6,929,560)	(6,751,480)	(6,869,624)	(9,382,546)
G. Corridor Adjustment						
Upper Bound	186,563,641	189,614,229	176,361,314			
Lower Bound	145,554,866	160,408,076	130,354,014			
Adjustment to Actuarial Value to keep within corridor	-	-	(3,575,039)			
H. Actuarial Value End of Year:						
= (A) + (D) + (E2) + (F5)	168,447,554	179,926,736	176,361,314			
I. Difference between Market & Actuarial Value	2,793,465	8,788,648	(23,003,650)			
J. Actuarial Value Rate of Return#	7.2%	10.5%	2.0%			
K. Market Value Rate of Return#	8.2%	13.8%	(15.2)%			

Net of investment expenses.

The Actuarial Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 4 year period. During periods when investment performance exceeds the assumed rate, the Actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, the Actuarial value of assets will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, it will become equal to Market Value.

**RETIRED MEMBER AND BENEFICIARY DATA
HISTORICAL SCHEDULE**

Year Ended September 30	Added		Removed		Net Increase		End of Year		Expected Removals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
1986	35	\$218,691	14	\$ 51,817	21	\$166,874	360	\$1,477,535	13	\$ 42,586
1987	41	268,093	19	77,684	22	190,409	382	1,667,944	15	49,601
1988	33	186,861	13	32,893	20	153,968	402	1,821,912	15	54,436
1989	35	317,395	9	35,463	26	281,932	428	2,103,844	16	60,697
1990	53	495,822	23	71,228	30	424,594	458	2,528,438	18	70,384
1991	40	467,799	17 *	76,095	23	391,704	481	2,920,142	18	80,687
1992	34	385,328	23	119,301	11	266,027	492	3,186,169	17	77,894
1993	30	366,388	22	121,000	8	245,388	500	3,431,557	20	98,817
1994	29	381,860	25	126,455	4	255,405	504	3,686,962	21	106,130
1995	50	576,610	19	81,457	31	495,153	535	4,182,115	21	114,290
1996	58	607,001	21	114,699	37	492,302	572	4,674,417	18	108,300
1997	60	895,218	20	101,014	40	794,204	612	5,468,621	16	99,537
1998	52	572,384	24	150,915	28	421,469	640	5,890,090	18	113,791
1999	56	817,332	29	186,939	27	630,393	667	6,520,483	18	124,157
2000	49	741,278	22	200,172	27	541,106	694	7,061,589	19	135,322
2001	30	444,366	37	303,929	(7)	140,437	687	7,202,026	20	154,928
2002	35	422,596	43	359,586	(8)	63,010	679	7,265,036	22	157,532
2003	37	613,424	22	183,284	15	430,140	694	7,695,176	22	166,102
2004	33	700,639	20	145,788	13	554,851	707	8,250,027	23	179,495
2005	34	694,063	30	177,622	4	516,441	711	8,766,468	24	195,270
2006	37	782,529	28	193,285	9	589,244	720	9,355,712	23	186,073
2007	40	931,788	24	199,077	16	732,712	736	10,088,424	23	201,845
2008	32	848,106	31	230,877	1	617,229	737	10,705,653	24	218,624
2009									25	233,592

* A person receiving a benefit from the long-term disability plan was moved to the vested terminated group.

AGE AND SERVICE RETIRED MEMBERS

Valuation Date September 30		All Retired Members			New Retired Members During Prior Year			
		Average			Average			
Number	Attained Age	Retirement Age	Annual Pension	Number	Retirement Age	Service	Annual Pension	
1994	456	69.3 yrs.	60.6 yrs.	\$ 7,689	27	60.0 yrs.	18.7 yrs.	\$13,352
1995	483	69.2	60.6	8,250	41	61.1	18.7	12,392
1996	502	69.1	60.2	8,736	44	59.6	17.9	13,106
1997	539	68.8	60.1	9,593	56	59.6	19.0	15,599
1998	558	68.8	60.0	9,913	41	59.6	17.8	12,248
1999	583	68.6	59.7	10,498	45	58.5	18.9	16,210
2000	601	69.0	59.8	10,804	38	59.1	19.0	14,988
2001	586	69.5	59.7	11,232	15	58.3	22.9	21,106
2002	589	69.9	59.1	11,531	24	61.5	19.3	12,707
2003	601	70.0	58.8	11,985	32	57.6	18.8	17,557
2004	622	70.2	58.6	12,527	29	57.1	16.9	21,665
2005	626	70.3	58.4	13,257	29	57.3	18.5	22,773
2006	638	70.3	59.2	13,934	33	58.8	20.5	21,503
2007	652	70.3	59.0	14,723	40	55.5	17.9	24,604
2008	654	70.5	58.8	15,603	32	59.9	17.4	23,001

RETIRED MEMBERS AND BENEFICIARIES

Historical Comparison

Valuation Date September 30	% Incr. in Annual Pensions	No. of Active Per Retired	Annual Pensions as % of Active Member Payroll	Average Annual Pensions
1994	7.4 %	4.4	6.3 %	\$ 7,315
1995	13.4	4.1	7.0	7,817
1996	11.8	3.8	7.5	8,172
1997	17.0	3.5	8.7	8,936
1998	7.7	3.2	10.8	9,203
1999	10.7	2.2	13.9	9,776
2000	8.3	1.4	20.0	10,175
2001	2.0	1.0	27.9	10,483
2002	2.9	0.9	27.9	10,700
2003	5.6	0.8	33.8	11,460
2004	7.2	0.7	37.1	11,669
2005	6.3	0.6	40.9	12,330
2006	6.7	0.6	47.7	12,994
2007	7.8	0.5	52.7	13,707
2008	6.1	0.5	58.3	14,526

**RETIRED MEMBER AND BENEFICIARY DATA
AS OF SEPTEMBER 30, 2008
BY TYPE OF BENEFITS BEING PAID**

Type of Benefits Being Paid	No.	Annual Benefits	Average	Actuarial Present Value of Pensions
Straight Life	435	\$6,214,913	\$14,287	\$ 60,868,192
10-Year Certain and Life Thereafter	8	143,844	17,981	1,220,059
100% Contingent Annuitant	83	1,480,375	17,836	18,709,271
66-2/3% Contingent Annuitant	42	784,854	18,687	9,242,147
50% Contingent Annuitant	86	1,580,286	18,375	15,952,397
Survivor Beneficiaries	76	464,514	6,112	3,809,360
Death-in-Service Survivors	7	36,867	5,267	375,806
Total Benefits Being Paid	737	\$10,705,653	\$14,526	\$110,177,232

**RETIRED MEMBER AND BENEFICIARY DATA
AS OF SEPTEMBER 30, 2008
BY ATTAINED AGE**

<u>Attained Age</u>	<u>No.</u>	<u>Annual Benefits</u>	<u>Average</u>
Under 20	1	\$ 10,639	\$10,639
45 - 49	6	214,739	35,790
50 - 54	35	1,130,824	32,309
55 - 59	63	1,623,650	25,772
60 - 64	99	1,796,573	18,147
65 - 69	148	2,165,464	14,632
70 - 74	119	1,617,079	13,589
75 - 79	130	1,261,541	9,704
80 - 84	72	545,770	7,580
85 - 89	47	269,182	5,727
Over 90	17	70,192	4,129
Totals	737	\$10,705,653	\$14,526

VESTED TERMINATED MEMBER DATA*
AS OF SEPTEMBER 30, 2008
BY ATTAINED AGE

Attained Age	No.	Estimated Annual Benefits
30 - 34	1	\$ 10,520
35 - 39	2	28,749
40 - 44	10	86,778
45 - 49	20	160,158
50 - 54	44	337,325
55 - 59	37	256,463
60 - 64	25	133,357
65 - 69	2	11,173
70 - 74	1	3,939
Totals	142	\$1,028,462

** Includes Regular and LTD Vested Terminated members.*

ACTIVE AND VESTED TERMINATED MEMBERS INCLUDED IN VALUATION

Valuation Date	Active Members	Vested Term. Members	Active Member Payroll	Age	Average Service	Pay
9/30/87	1,464	73	\$28,532,754	40.5	7.8	\$19,490
9/30/88	1,539	79	31,690,527	40.8	7.8	20,592
9/30/89	1,658	73	36,294,629	40.9	7.7	21,891
9/30/90 *	2,110	85	47,295,950	40.1	6.6	22,415
9/30/91	2,119	92	47,668,439	40.7	7.0	22,496
9/30/92	2,205	111	53,128,978	41.0	7.3	24,095
9/30/93	2,206	132	55,889,939	41.5	7.7	25,335
9/30/94	2,213	134	58,718,175	42.2	8.2	26,533
9/30/95	2,197	160	60,103,118	42.4	8.6	27,357
9/30/96	2,201	170	61,939,225	42.9	9.0	28,141
9/30/97	2,121	201	63,131,058	43.3	9.3	29,765
9/30/98	2,068	208	63,457,210	43.8	9.9	30,685
9/30/99 #	1,449	207	46,853,029	44.6	11.0	32,335
9/30/00	998	175	35,343,262	45.9	12.0	35,414
9/30/01	665	159	25,777,150	47.4	13.9	38,763
9/30/02	619	172	26,065,429	48.1	14.8	42,109
9/30/03	543	178	24,015,995	48.9	15.9	44,228
9/30/04	499	174	22,264,155	49.5	16.6	44,618
9/30/05 &	455	168	21,459,676	50.0	17.4	47,164
9/30/06	421	159	19,626,410	50.8	18.2	46,619
9/30/07	389	148	19,140,901	51.5	18.8	49,205
9/30/08	359	142	18,358,988	52.1	19.5	51,139

* Change in participation requirements.

On October 1, 1998 the plan was closed to new hires and members were allowed to transfer to a new DC plan.

& The pay reported in conjunction with the valuation included 27 pay periods.

NUMBER ADDED TO AND REMOVED FROM ACTIVE PARTICIPATION

Year Ended	Number Added During Year		Terminations During Year								Active Members End of Year
			Retirement		Death in Service		Other Withdrawals				
	A	E					A	E	Vested	Other	
9/30/87	209	164	26	12	0	6	13	125	138	124	1,464
9/30/88	269	194	25	13	1	6	11	157	168	125	1,539
9/30/89	280	161	35	29	1	6	3	122	125	132	1,658
9/30/90	606	154	43	26	0	7	16	95	111	146	2,110
9/30/91	181	172	32	23	1	5	7	132	139	253	2,119
9/30/92	258	172	28	23	1	6	14	129	143	223	2,205
9/30/93	158	157	22	28	3	6	22	110	132	223	2,206
9/30/94	176	169	21	26	8	6	10	130	140	205	2,213
9/30/95	164	180	41	29	6	6	17	116	133	196	2,197
9/30/96	161	157	34	27	2	2	19	102	121	146	2,201
9/30/97	144	186	53	38	1	2	73	97	170	146	2,121
9/30/98	126	174	33	34	5	2	71	70	141	138	2,068
9/30/99	5	0	111	38	1	2	349	163	512	127	1,449
9/30/00	3	0	72	27	1	2	310	71	381	72	998
9/30/01	4	0	58	25	0	2	218	61	279	43	665
9/30/02	4	0	18	25	0	2	22	10	32	43	619
9/30/03	0	0	30	19	0	1	32	14	46	20	543
9/30/04	5	0	28	19	0	1	16	5	21	16	499
9/30/05	1	0	30	18	1	1	11	3	14	15	455
9/30/06	0	0	23	21	1	1	7	3	10	14	421
9/30/07	0	0	27	22	0	0	4	1	5	11	389
9/30/08	0	0	26	21	1	1	0	3	3	10	359
Subtotals											
2004-2008	6	0	134	101	3	4	38	15	53	66	
1999-2008	22	0	423	235	5	13	969	334	1,303	371	
Expected for 9-30-09				22		1				9	

A represents actual number.

E represents expected number.

Transfers to the DC plan are included as Retirements, Vested Withdrawals, or Other Withdrawal, based upon eligibility for retirement at time of transfer.

**ACTIVE MEMBERS AS OF SEPTEMBER 30, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date						No.	Totals	
	0-4	5-9	10-14	15-19	20-24	25-29		30 Plus	Active Member
30-34			3					3	\$ 101,692
35-39			8	4	1			13	569,615
40-44			12	17	13	1		43	1,945,994
45-49			9	27	38	7		81	4,125,260
50-54			14	17	34	15		80	4,381,815
55-59		1	13	13	27	14	3	71	3,849,883
60			1	3	5	2	2	13	697,989
61			5	3	7	1	1	17	756,261
62			1	8	1	1	1	12	636,566
63			1	2	1			4	235,985
64			5	1	2	2		10	512,581
65			2	4		1		7	258,310
66			1					1	55,520
68				1	1			2	92,899
69					1			1	108,944
Totals		1	75	101	131	44	7	359	\$18,358,988

Group Averages:

Age: 52.1 years
Service: 19.5 years
Annual Pay: \$51,139

**RECONCILIATION OF MEMBERSHIP [PARTICIPANTS]
FOR THE PLAN YEAR ENDED SEPTEMBER 30, 2008**

	Active Members	Vested Terminated Members		Pension Recipients	
		Regular	LTD	All Retirees	All Beneficiaries
No. at Start of Year	389	122	26	652	84
Increase (Decrease) From					
Service Retirement					
- electing monthly lifetime payments	(22)	(4)		29	
- electing DC transfer	(4)				
Long-term Disability					
Deaths					
- with beneficiary				(3)	3
- without beneficiary	(1)			(23)	(5)
Other Pension Terminations					
Vested Terminations					
- electing monthly lifetime payments		1			
- electing DC transfer					
Other Terminations	(3)	(2)	(1)		
New Entrants/Rehires/Prior Omissions					
No. at End of Year	359	117	25	655	82

SECTION D

**ACTUARIAL COST METHOD, ACTUARIAL
ASSUMPTIONS AND DEFINITIONS OF TECHNICAL
TERMS**

ACTUARIAL COST METHOD

The actuarial cost method is a procedure for allocating the actuarial present value of pension benefits to time periods. The method used for your valuation is known as the aggregate actuarial cost method, and has the following characteristics.

The present value of future benefits is reduced by the actuarial value of assets and the present value of future member contributions. The remainder is financed as a level percent of future payroll.

The actuarial value of assets used for funding purposes is derived as follows: prior year actuarial value of assets are increased by contribution and expected investment income and reduced by refunds, benefit payments and administrative expenses. To this amount is 25% of the difference between expected and actual investment income for each of the previous four years. The actuarial value of assets is limited to no less than 85% and no more than 115% of the market value of assets.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future Fund activities (actuarial assumptions) to the benefit provisions and member data of the Fund, using the actuarial cost method described on page D-1.

The principal areas of risk which require estimates of future Fund activities are:

- (i) Rates of inflation impacting assets of the Fund
- (ii) Long-term rates of real investment return to be generated by the assets of the Fund
- (iii) Rates of salary increase to members
- (iv) Rates of mortality among active members, retired members and beneficiaries, and vested terminated members
- (v) Rates of withdrawal of active members
- (vi) Rates of disability among active members
- (vii) Rates of retirement due to age and service

In making a valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual activities of the Fund will not coincide exactly with estimated activities due to the nature of the activities. Each valuation provides a complete recalculation of estimated future activities and takes into account the effect of differences between estimated and actual activities to date. The result is a continual series of adjustments (usually small) to the computed contribution rate. From time to time one or more of the estimates are modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

The actuarial assumptions regarding the INFLATION rate, REAL INVESTMENT RETURN rate, and SALARY INCREASE rates were adopted effective September 30, 2005. These estimates are used, in combination with the other estimates, to (i) determine the present value of amounts expected to be paid in the future and (ii) establish rates of contribution which are expected to remain relatively level as a percent of active member covered payroll.

Rates of Investment Return. 8.0% per annum, compounded annually, net of expenses.

Rates of Price Inflation. This is the rate at which growth in the supply of money and credit is estimated to exceed growth in the supply of goods and services. It may be thought of as the rate of depreciation of the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. Recent rates of inflation, as measured by the Consumers Price Index, have been:

	Year Ended September 30					Average	
	2008	2007	2006	2005	2004	3-Year	5-Year
Actual	4.9%	2.8%	2.1%	4.7%	2.5%	3.3%	3.4%

No specific price inflation assumption is used in this valuation.

Rates of Real Investment Return over Prices. This is the rate of return produced by investing a pool of assets in an inflation-free environment. The assumed real rate of return is approximately 4.0% over wages, which would correspond to an assumed real rate of return of 4.5% to 5.0% over prices. Recent rates of real investment return on the actuarial value of assets have been:

	Year Ended September 30					Average	
	2008	2007	2006	2005	2004	3-Year	5-Year
Gross Rate of Return	2.3 %	10.9 %	7.7 %	7.6 %	6.9 %	6.9 %	7.0 %
less Invest. Expenses	0.3	0.4	0.5	0.5	0.4	0.4	0.4
Net Rate of Return	2.0	10.5	7.2	7.1	6.5	6.5	6.6
less Inflation Rate	4.9	2.8	2.1	4.7	2.5	3.3	3.4
Net Real Rate of Return	(2.9)	7.7	5.1	2.4	4.0	3.2	3.2

The total investment return rate was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is actual realized investment income plus market value adjustments, A is the beginning of year asset value, and B is the end of year asset value.

The preceding investment return rates reflect the particular characteristics of this Fund and the method of determining the actuarial value of assets. They should not be used to measure an investment advisor's performance or for comparison with other pension funds.

Rates of Salary Increase. Employee salaries are estimated to increase between the date of hire and date of retirement. Salary increases occur in recognition of (i) individual merit and seniority, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) competition from other employers for personnel. A schedule of long-term rates of increase in individual salaries used for the valuation follows for sample ages:

Attributable to:	Annual Rates of Salary Increase for Sample Ages			
	30	40	50	60
Merit & Seniority	2.6 %	0.9 %	0.3 %	0.3 %
Other Sources	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Total	6.6 %	4.9 %	4.3 %	4.3 %

Lump sum payments for unused leave time are not included in the calculation of final average earnings.

Recent rates of salary change experience, as measured by average reported pay, have been:

	Year Ended September 30					Average		
	2008	2007	2006	2005	2004	3-Year	5-Year	10-Year
Rate of Average Salary Increase:								
Actual (1)	3.9 %	7.1 %	2.7 %	3.0 %	3.1 %	4.6 %	3.9 %	5.8 %
Assumed	4.4	4.3	6.0	6.0	6.1	4.9	5.4	6.4

(1) Excluding terminations and new entrants.

Recent comparisons of the net rate of investment return to the rate of actual increase in salaries have been:

	Year Ended September 30					Average	
	2008	2007	2006	2005	2004	3 Year	5 Year
Net Rate of Investment Return*	2.0 %	10.5 %	7.2 %	7.1 %	6.5 %	6.5 %	6.6 %
Rate of Average Salary Increase	<u>3.9</u>	<u>7.1</u>	<u>2.7</u>	<u>3.0</u>	<u>3.1</u>	<u>4.6</u>	<u>3.9</u>
Difference:							
Actual	(1.9)	3.4	4.5	4.1	3.4	2.0	2.7
Target	4.0 %	4.0 %	4.0 %	4.0 %	3.5 %	4.0 %	3.9 %

* Net of investment expenses.

Rates of Mortality. The 1994 Group Annuity Mortality Table (GA94) set back 0 years for men and women, effective with the September 30, 2005 valuation. Sample values follow:

Sample Ages	GA94 Table			
	Value of		Future Life	
	\$1 Monthly For Life		Expectancy (Years)	
	Men	Women	Men	Women
50	\$134.63	\$140.32	30.69	34.89
55	127.16	134.40	26.15	30.17
60	117.78	126.60	21.83	25.59
65	106.80	117.13	17.84	21.28
70	94.73	106.11	14.29	17.30
75	81.36	92.79	11.12	13.60
80	67.17	77.98	8.37	10.31

These rates are used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. The values shown above do not include the effect of any cost-of-living adjustments.

Rates of Withdrawal from Active Membership. These rates represent the probabilities of members leaving employment for reasons other than death or disability and prior to their becoming eligible to retire.

Sample Ages	Rates of Withdrawal Within Next Year
25	6.90%
30	6.30%
35	5.70%
40	4.50%
45	4.20%
50	3.80%
55	3.40%
60	3.00%

These rates were first used for the September 30, 2005 valuation.

Rates of Disability. These rates represent the probabilities of active members becoming disabled.

Sample Ages	Rates of Disability Within Next Year
25	0.04%
30	0.04%
35	0.12%
40	0.22%
45	0.42%
50	0.72%
55	1.12%
60	1.66%

These rates were first used for the September 30, 2005 valuation.

Rates of Retirement. These rates represent the probabilities of eligible members retiring.

Rates of Retirement Within Next Year				
Years of Service	Service Based Rates	Retirement Ages	Age Based Rates	
			Early	Normal
25	25%	55	10%	
26	10%	56	5%	
27	10%	57	5%	
28	15%	58	5%	
29	5%	59	5%	
30	30%	60	5%	
31	30%	61	5%	
32	30%	62	10%	
33	30%	63	10%	
34	30%	64	10%	
35	100%	65		25%
		66		25%
		67		25%
		68		25%
		69		25%
		70		100%

These rates were first used for the September 30, 2005 valuation.

Expenses. Administrative expenses are included as an additional employer contribution to provide for reimbursement of these expenses. Investment expenses are offset against gross investment income. This is unchanged from previous valuations.

Active Member Group Size. The valuation was based on a closed active member group size.

Transfers to the DC Plan. Rates of Retirement and Rates of Withdrawal include members transferring to the DC Plan.

Marital Status. Eighty percent of active members who meet the age and service requirements for pre-retirement surviving benefits are estimated to be married. Female spouses are assumed to be 3 years younger than the male participant. Male spouses are assumed to be 3 years older than the female participant. This is unchanged from previous valuations.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

SEPTEMBER 30, 2008

Marriage Assumption:	80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability does not operate during retirement eligibility.
Adjustments:	None.
Service Credit Accruals:	It is assumed that members accrue one year of service credit per year.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Normal Form of Benefit:	A straight life benefit is the normal form of benefit.
Benefit Service:	Exact Fractional service is used to determine the amount of benefit payable.
City Contributions:	Dollar contributions are developed using expected pay for the upcoming fiscal year.

DEFINITIONS OF TECHNICAL TERMS

Accrued Service - Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability - The difference between the actuarial present value of future benefits payments and the actuarial present value of future normal costs. Also referred to as “accrued liability” or “past service liability.”

Actuarial Assumptions - Estimates of expected future experience with respect to rates of mortality, disability, withdrawal, retirement, rate or rates of investment income, inflation and salary increases. Decrement estimates (rates of mortality, disability, withdrawal and retirement) are generally based on past experience, often modified for projected changes in conditions. Fiscal estimates (investment income and salary increases) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liabilities. Sometimes referred to as the “actuarial valuation cost method.”

Actuarial Equivalent - A single amount or series of amounts which is of equal actuarial present value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

Actuarial Present Value - The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment. Also referred to as “present value.”

Actuarial Value of Assets - The value of assets derived by spreading capital value changes (unrealized and realized gains and losses) in equal dollar installments over four years. This treatment removes the timing of investment activities from the valuation process.

Amortization - Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying it off with a lump sum payment.

Experience Gain (Loss) - The difference between actual experience costs and anticipated actuarial costs -- during the period between two actuarial valuation dates.

Normal Cost - The actuarial cost allocated to the current year by the actuarial cost method. Sometimes referred to as “current service cost.”

SECTION E

THE PRESENT VALUE OF FUTURE BENEFIT PAYMENTS AND CERTAIN OTHER DISCLOSURES REQUIRED BY STATEMENTS NO. 25 AND NO. 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This information is presented in draft form for review by the City's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the City's financial statements.

PRESENT VALUE OF FUTURE BENEFIT PAYMENTS

The present value of future benefit payments is the discounted value of benefits likely to be paid to participants based on the assumptions found in Section D of this report. Allocation of the unfunded actuarial present value of projected benefits over future service was based on the aggregate actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the Fund's level percent of payroll annual required contribution between the valuation date and assumed exit age.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The aggregate actuarial accrued liability was determined as part of an actuarial valuation of the plan as of September 30, 2008. Significant actuarial assumptions used in determining the aggregate actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation and other sources, (c) additional projected salary increases of 4.0% to 0.3% per year attributable to seniority/merit, and (d) the assumption that benefits will increase after retirement according to the COLA provisions.

As of September 30, 2008, the unfunded present value of future benefit payments was determined as follows:

During the year ended September 30, 2008 the Plan experienced a net change of the present value of future benefit payments of \$5,571,455.

OTHER RELEVANT SEPTEMBER 30, 2008 VALUATION STATISTICS

Members Included in Valuation

Active Members	
Vested	359
Non-Vested	0
Retired Members and Beneficiaries	737
Vested Terminated Members	142

DETERMINATION OF ACTUARIAL VALUE OF ASSETS (1)

Original Period						Remaining Amount to be Allocated	
FY	Amount to be Allocated (2)	2004-05	2005-06	2006-07	2007-08	Per Year	Total
At 9/30/03 Before Reamortization:							
00/01	\$ (16,734,298)					\$ (4,183,573)	\$ (4,183,573)
01/02	(20,939,476)					(5,234,869)	(10,469,738)
02/03	8,334,233					2,083,558	6,250,675
TOTAL							\$ (8,402,636)
At 9/30/04 After Reamortization:							
02/03	(3) (8,402,636)	\$ (2,800,879)	\$ (2,800,878)				
03/04	1,647,313	411,828	411,828	\$ 411,829			
04/05	4,054,395	1,013,599	1,013,599	1,013,599	\$ 1,013,598		
05/06	472,586		118,147	118,147	118,147	118,147	118,145
06/07	10,051,677			2,512,919	2,512,919	2,512,919	5,025,839
07/08	(38,721,858)				(14,149,263)	(9,382,544)	(24,572,595)
TOTAL		(1,375,452)	(1,257,304)	4,056,494	\$ (10,504,599)		\$ (19,428,611)
Net contribution per year (4)		5,357,842	5,886,495	7,422,688	6,939,177		
Beginning actuarial value		159,835,973	163,818,363	168,447,554	179,926,736		
Ending actuarial value		\$163,818,363	\$168,447,554	\$179,926,736	\$176,361,314		

- (1) General Employees' Pension Plan includes Component Units' employees.
- (2) Represents the difference between assumed and actual investment income to be smoothed over the present and three future periods, (1/4) each year.
- (3) Outstanding amounts as of September 30, 2003 were reamortized over the three year period beginning September 30, 2004.
- (4) Represents net change in actuarial value from non-investment cash flow and assumed investment income.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

(Dollar amounts are in millions)

Based on Aggregate Cost Method

Actuarial Valuation Date September 30	Actuarial Value of Assets (a)	Present Value of Future Benefits (PVFB) (b)	Unfunded PVFB (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UPVFB as a Percentage of Active Member Covered Payroll ((b-a)/c)
2000	\$169.89	\$210.24	\$40.35	80.81 %	\$35.34	114.2 %
2001	155.28	184.21	28.93	84.30	25.78	112.2
2002	157.44	191.14	33.70	82.37	26.07	129.3
2003	158.37	192.14	33.77	82.42	24.02	140.6
2004 *	159.84	194.40	34.56	82.22	22.26	155.2
2005 *	163.82	196.84	33.02	83.22	20.83	158.5
2006	168.45	200.89	32.44	83.85	19.63	165.3
2007	179.93	208.69	28.76	86.22	19.14	150.3
2008	176.36	214.26	37.90	82.31	18.36	206.4

Based on Entry Age Normal Cost Method

Actuarial Valuation Date September 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2000	\$ 169.89	\$ 167.34	(\$2.55)	101.5 %	\$ 35.34	(7.2) %
2001	155.28	155.11	(0.17)	100.1	25.78	(0.7)
2002	157.44	162.68	5.24	96.8	26.07	20.1
2003	158.37	167.04	8.67	94.8	24.02	36.1
2004 *	159.84	171.47	11.63	93.2	22.26	52.2
2005 *	163.82	179.50	15.68	91.3	20.83	75.3
2006	168.45	185.47	17.02	90.8	19.63	86.7
2007	179.93	194.11	14.18	92.7	19.14	74.1
2008	176.36	200.85	24.49	87.8	18.36	133.4

* After changes in benefits and/or actuarial assumptions and/or actuarial cost methods.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Effective October 1, 1998, the contributions are determined using the aggregate actuarial cost method. Prior to this, the normal cost and actuarial liability were determined using the entry age actuarial cost method.

During the year ended September 30, 2008 contributions totaling \$4,783,470 -- \$3,845,482 employer and \$937,988 employee -- were made in accordance with contribution requirements determined by an actuarial valuation of the Fund as of September 30, 2007. Employer contributions represented 20.31% of September 30, 2007 covered payroll.

Schedule of Employer Contributions

Fiscal Year 10-1/9-30	Valuation Date 9-30	% of Payroll	Annual Estimated Contribution	Percentage Contributed
1995-96	1995	11.48 %	\$7,070,229	100.0 %
1996-97	1996	12.21	7,749,542	100.0
1997-98	1997	10.97	7,096,502	100.0
1998-99	1998	11.27	7,437,896	100.0
1999-00	1999	10.14	4,750,379	100.0
2000-01	2000	7.71	2,726,375	100.0
2001-02	2001	8.63	2,215,979	100.0
2002-03	2002	11.09	2,883,092	100.0
2003-04	2003	13.06	3,123,144	100.0
2004-05	2004	15.42	3,421,203	100.0
2005-06	2005	19.72	4,123,327	100.0
2006-07	2006	21.74	4,273,029	100.0
2007-08	2007	20.31	3,845,482	100.0
2008-09	2008	31.12	5,702,267	
2009-10	2008	N/A	6,630,606	

This information is presented in draft form for review by the City's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the City's financial statements.

**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION FUND
SOLVENCY TEST**

Valuation Date	Present Value of Future Benefits For			Actuarial Value of Assets	Portion of Present Values Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed Portion)				
9/30/2000	\$ 9,356,932	\$ 67,836,187	\$ 133,045,405	\$ 169,890,225	100 %	100 %	69.67 %
9/30/2001	7,929,536	69,186,259	107,096,555	155,283,810	100	100	72.99
9/30/2002	8,665,985	69,301,328	113,175,688	157,437,031	100	100	70.22
9/30/2003	8,805,811	74,343,426	108,986,137	158,371,400	100	100	69.02
9/30/2004	8,958,362	80,402,348	105,043,094	159,835,973	100	100	67.09
9/30/2005 (a)	9,177,225	87,768,222	99,889,571	163,818,363	100	100	66.95
9/30/2006	9,340,861	94,213,477	97,336,870	168,447,554	100	100	66.67
9/30/2007	9,411,309	102,952,924	96,321,741	179,926,736	100	100	70.14
9/30/2008	9,529,624	110,177,232	94,550,573	176,361,314	100	100	59.92

(a) After changes in benefits and/or actuarial assumptions and/or actuarial cost methods.

January 20, 2009

Mr. Christopher McCullion
City of Orlando General Employees'
Pension Fund
400 South Orange Avenue
Orlando, Florida 32801

Dear Christopher:

Enclosed please find 35 copies of the report of the September 30, 2008 actuarial valuation of the City of Orlando General Employees' Pension Fund.

One copy should be sent, within 60 days to:

Department of Management Services
Division of Retirement
Bureau of Program Services
2639 North Monroe
Tallahassee, Florida 32399-1560

Sincerely,



Brad Lee Armstrong

BLA:sac
Enclosures