

**City of Orlando Police Officers' Pension Fund**

*Actuarial Valuation and Review  
as of October 1, 2010*

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*January 31, 2011*

*Board of Trustees  
City of Orlando Police Officers' Pension Fund  
Orlando, FL*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of October 1, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011 and analyzes the preceding year's experience. The census information on which our calculations were based was prepared by the City's Employee Benefits Department and the financial information was provided by the City's Finance Department. That assistance is gratefully acknowledged.*

*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, 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."*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*By:*

*Leon F. Joyner, Jr.  
Vice President and Consulting Actuary*

*K. Eric Fredén, FSA, MAAA  
Vice President and Actuary  
Enrolled Actuary No. 08-0553*

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## SECTION 1: Valuation Summary for the City of Orlando Police Officers' Pension Fund

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### Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Orlando Police Officers' Pension Fund as of October 1, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of October 1, 2010, provided by the City's Employee Benefits Department;
- The assets of the Plan as of September 30, 2010, provided by the City's Finance Department;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- In order to assist them with budgeting, the City has requested that the actuarial valuation reports show the ARC for the following fiscal year instead of the fiscal year for which the valuation is prepared. In this report, the ARC for the fiscal year beginning **October 1, 2011** has been calculated. The City has established a funding policy that provides for full funding of the contribution requirements during the first four or five months of the fiscal year. Consequently, all contribution requirements shown in this report are calculated as of the *beginning* of the fiscal year. In practice, we will work with the Finance Department to establish the specific contribution schedule each year and provide the appropriate interest adjustment based on the contribution amounts and timing. The prior year ARC will then be shown with the final interest adjustment included.
- The total required city annual contribution increased from \$15,295,353 (31.06% of payroll) to \$17,101,951 (34.04% of payroll). The \$1,806,598 increase in the required contribution is primarily due to the following factors:
  - An actuarial investment loss of \$26,480,795, which resulted in an increase in contributions of \$2,359,652.
  - A change in the expected administration expenses resulted in an increase in contributions of \$9,155.
  - The 1995 actuarial gain base became fully amortized this year with the resultant \$201,030 amortization credit no longer included in the cost determination.

## SECTION 1: Valuation Summary for the City of Orlando Police Officers' Pension Fund

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- Changes in actuarial assumptions and valuation software resulted in an increase in contributions of \$1,000,695.
- The change in asset method reduced the required contribution by \$2,639,900.
- A total projected payroll increase of \$1,000,555 created additional required contributions of \$310,772.

For the next valuation the 1996 actuarial loss amortization charge of \$882,368 will be fully recognized, which will lower the contribution requirement.

- The actuarial valuation report as of October 1, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan. For example, a change in the current year's actuarial value of assets would produce a \$3,566,439 change in the October 1, 2011 recommended contribution level. Because the actuarial value of assets involves a smoothing method, a 10% change in market value would not be fully reflected immediately in the actuarial value of assets. Rather, that effect would be spread over a period of years. We have shown the full impact immediately so as to indicate the sensitivity of costs to market fluctuations.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of September 30, 2010, taking into account the change in asset valuation method, is \$44,381,647. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.
- The actuarial value of assets, including excess reserves for State contributions, was 112.7% of market value as of the valuation date. The smoothing method provides for recognition of gains and losses over a 5-year period.
- Currently assets held in trust for excess pension benefits total \$6,229,559. This amount has been excluded from the determination of this year's required contribution.
- The inactive to active ratio has increased to 77% (up 5%) after taking the previous nine years to increase by 16%. This change will lead to increasing cash demands for benefit payments, which have also increased rapidly in recent years. Trustees should keep an eye on this and consider whether this shift in cash requirements suggests any revision to the investment policies.

## SECTION 1: Valuation Summary for the City of Orlando Police Officers' Pension Fund

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- Included in this valuation for the first time are the following assumption changes as recommended in our October 1, 2004 – September 30, 2009 experience study and adopted by the Board of Trustees. Results of the experience study are outlined in a separate report.
  - The mortality table for healthy participants was changed to the RP-2000 Combined Healthy Mortality Table, set forward one year.
  - The mortality table for disabled annuitants was also changed to the RP-2000 Combined Healthy Mortality Table, set forward one year.
  - The salary scale assumption was modified to remove the age based component to be based solely on years of service. In addition, the inflation component of the salary scale was lowered from 4.00% per year to 3.75% per year, and the rates in the first ten years of employment were modified.
  - The payroll growth rate assumption (used for determining the amortization of the unfunded actuarial accrued liability when the recommended contribution is determined as a level percentage of payroll) was lowered from 4.00% to 3.75%.
  - The assumed disability rates were modified to remove the 80% modification to the current baseline table and replaced with a modification of 92.5% of the current baseline table.
  - The assumed rates of turnover during the five-year select period were decreased by 10%. The ultimate rates of turnover (after five years) were reduced by 30%.
  - Retirement rates were modified by removing the rates for less than 20 years of service. The current rates of retirement for participants with at least 20 years of service were also modified.
  - The duty-related disability assumption was changed from 75% to 95% of all disabilities.
  - An assumption that survivor benefits will be paid on 61% of the current retirees whose data indicates a potential survivor beneficiary has been added.
- A new 5-year asset smoothing method was implemented which recognizes market gains and losses by 20% per year for five years. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The method was applied retrospectively, although asset values from prior actuarial valuations will not change.
- There have been no changes in plan provisions since the last valuation

**SECTION 1: Valuation Summary for the City of Orlando Police Officers' Pension Fund**

**Summary of Key Valuation Results**

	2011	2010	2009
<b>Contributions for fiscal year beginning October 1:</b>			
1. Normal Cost, including administrative expenses		\$14,512,911	\$13,847,621
2. Expected employee contributions		4,051,547	3,962,184
3. Payment to amortize Unfunded Liability		6,022,444	4,821,634
4a. Total Required City Annual Contributions (1-2+3) <sup>1</sup>		16,587,240	14,707,071
b. Total payroll		48,422,779	47,344,306
c. As a % of Covered Payroll		34.04%	31.06%
5a. Total Required City Annual contribution projected to October 1, 2010		17,101,951	15,295,353
b. Projected Payroll		50,238,633	49,238,078
c. As a % of Projected Payroll		34.04%	31.06%
6a. Actuarial Value of Assets <sup>2</sup>		388,956,802	349,933,712
b. Market Value of Assets		350,804,714	322,084,363
7. Actuarial Accrued Liability <sup>2</sup>		443,696,404	406,398,791
8. Unfunded actuarial accrued liability		54,739,602	56,465,079
<b>GASB 25/27 for fiscal year beginning October 1:</b>			
Annual required contributions	\$17,101,951 <sup>1</sup>	\$15,295,351 <sup>1</sup>	\$13,816,829 <sup>4</sup>
Actual contributions	--	--	13,816,829
Percentage contributed	--	--	100.00%
Funded ratio	--	87.66%	86.11%
Projected covered payroll	\$50,238,633	\$49,238,078	\$47,910,247
<b>Demographic data for plan year beginning October 1:</b>			
Number of retired participants and beneficiaries		542	516
Number of vested former participants		9	11
Number of active participants		718	731
Projected total payroll		\$48,422,779	\$47,344,306
Projected average payroll		67,441	64,766

<sup>1</sup> Required contributions are assumed to be paid at the beginning of every year.

<sup>2</sup> Excludes excess reserve for state contributions.

<sup>3</sup> Includes terminated participants with employee contributions remaining in plan.

<sup>4</sup> Adjusted for interest to date paid.

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

*A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.*

**CHART 1**  
**Participant Population: 2001 – 2010**

<b>Year Ended September 30</b>	<b>Active Participants</b>	<b>Vested Terminated Participants*</b>	<b>Retired Participants and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
2001	678	8	370	0.56
2002	681	8	381	0.57
2003	686	7	394	0.58
2004	689	5	407	0.60
2005	693	5	429	0.63
2006	701	6	446	0.64
2007	738	7	460	0.63
2008	741	10	490	0.67
2009	731	11	516	0.72
2010	718	9	542	0.77

*\*Includes terminated participants with employee contributions remaining in the plan.*

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 718 active participants with an average age of 39.9, average years of service of 11.7 years and average payroll of \$67,441. The 731 active participants in the prior valuation had an average age of 39.5, average service of 11.3 years and average payroll of \$64,766.

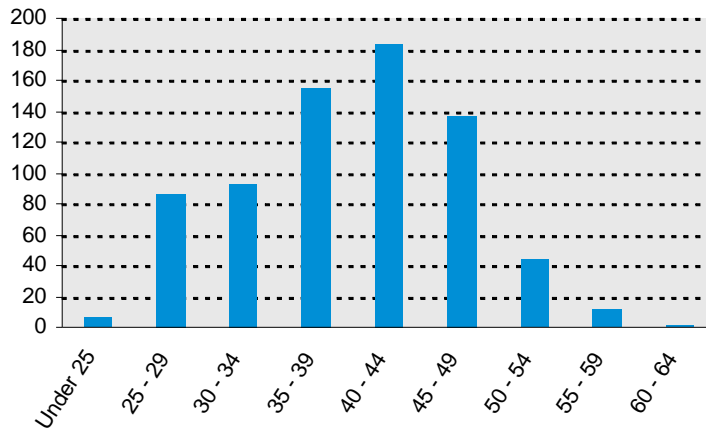
**Inactive Participants**

In this year's valuation, there were five participants with a vested right to a deferred or immediate vested benefit.

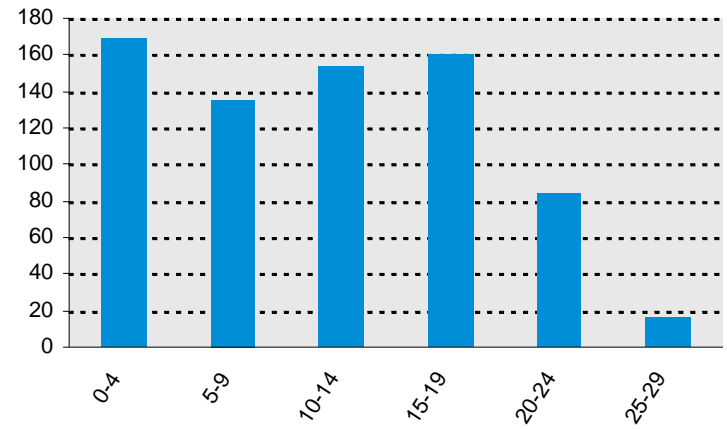
In addition, there were four participants with their employee contributions remaining in the plan.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**  
**Distribution of Active Participants by Age as of September 30, 2010**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of September 30, 2010**



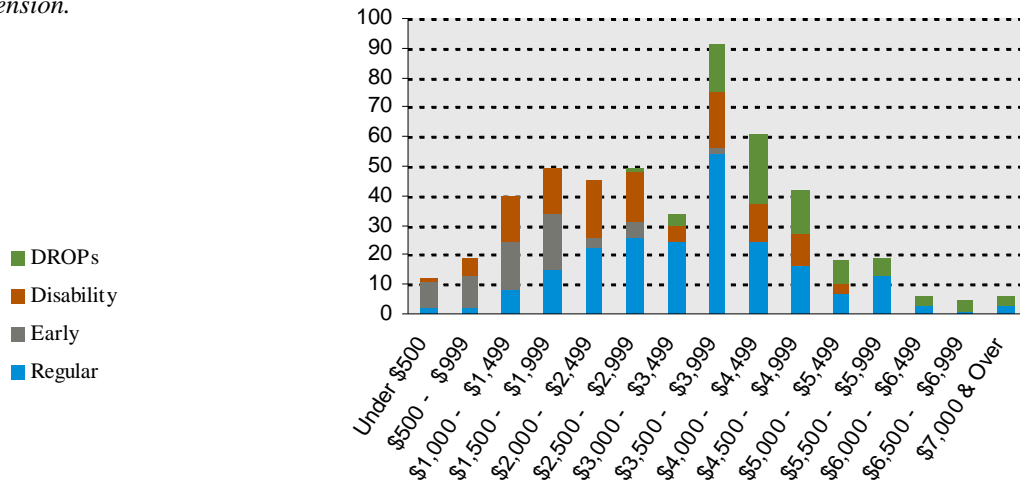
**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

**Retired Participants and Beneficiaries**

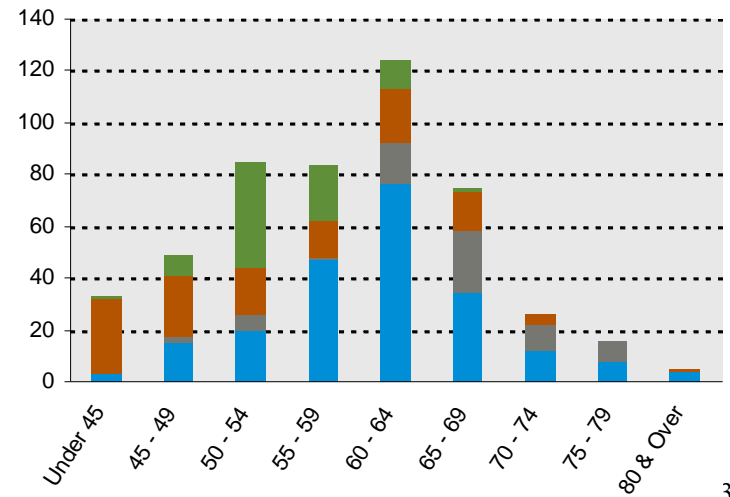
As of September 30, 2010, 496 retired participants and 46 beneficiaries were receiving total monthly benefits of \$1,679,464. For comparison, in the previous valuation, there were 472 retired participants and 44 beneficiaries receiving monthly benefits of \$1,543,239.

*These graphs show a distribution of the current retired participants based on their monthly amount and age, by type of pension.*

**CHART 4**  
**Distribution of Retired Participants by Type and by Monthly Amount as of September 30, 2010**



**CHART 5**  
**Distribution of Retired Participants by Type and by Age as of September 30, 2010**



**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

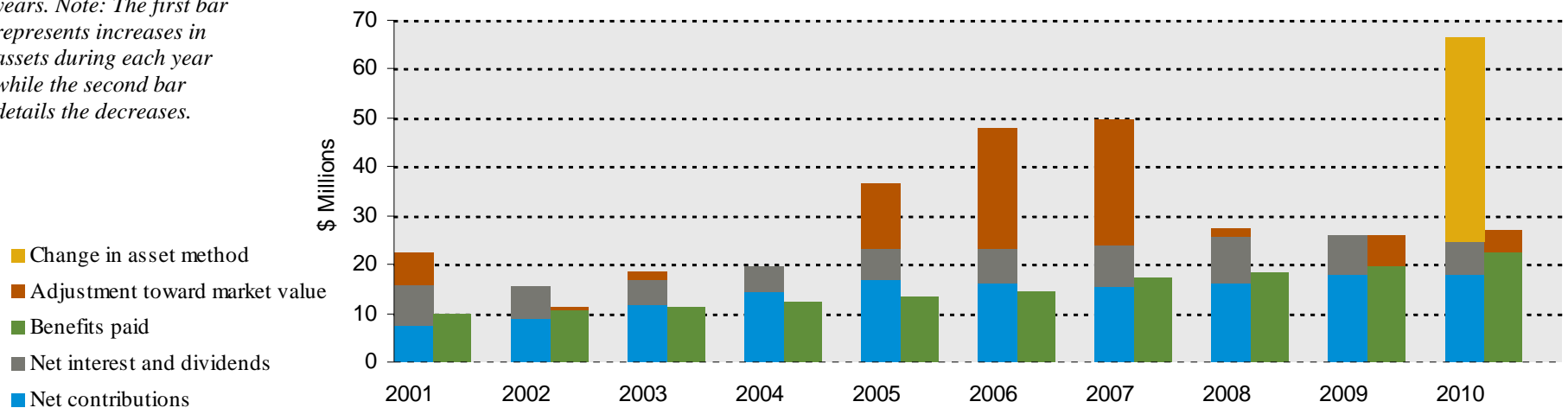
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

*The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended September 30, 2001 – 2010**



**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

**CHART 7**  
**Determination of Actuarial Value of Assets for Year Ended September 30, 2010**

1. Market value of assets			\$350,804,714
	Original	Unrecognized	
2. Calculation of unrecognized return	<u>Amount*</u>	<u>Amount**</u>	
(a) Year ended September 30, 2010	\$7,453,249	\$5,962,599	
(b) Year ended September 30, 2009	-24,269,938	-14,561,963	
(c) Year ended September 30, 2008	-98,654,309	-39,461,724	
(d) Year ended September 30, 2007	18,397,202	3,679,441	
(e) Year ended September 30, 2006	2,468,711	<u>0</u>	
(f) Total unrecognized return			-44,381,647
3. Preliminary actuarial value: (1) - (2f)			395,186,361
4. Adjustment to be within 20% corridor			0
5. Reserve for excess state contributions			6,229,559
6. Net actuarial value of assets for valuation purposes: (3) + (4) - (5)			<u>\$388,956,802</u>
7. Actuarial value as a percentage of market value: (3) ÷ (1)			112.7%

*\*Total return minus expected return on a market value basis*

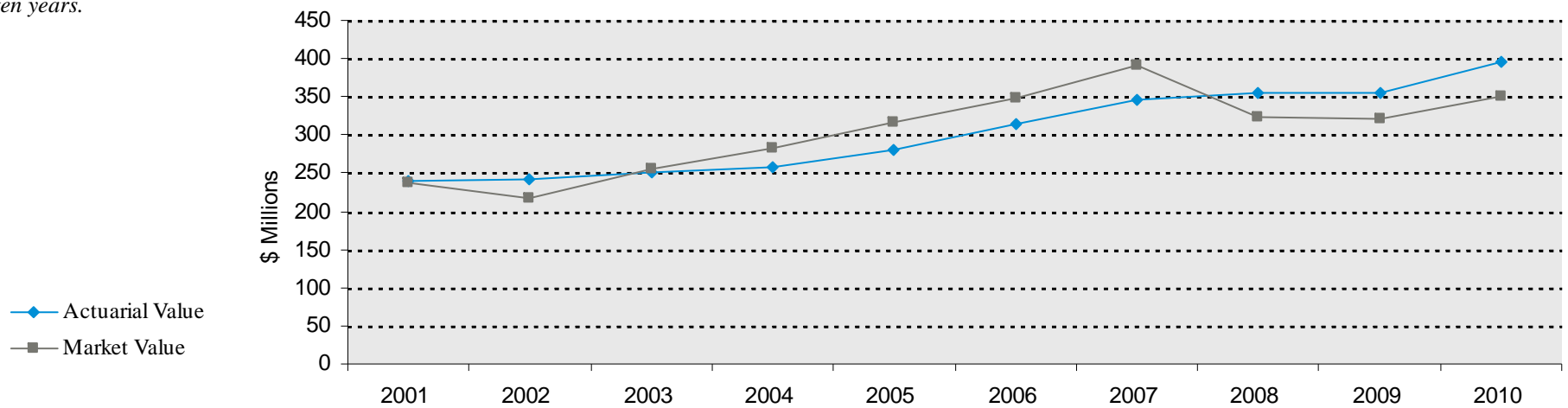
*\*\* Recognized 20% per year for five years*

## SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund

Both the actuarial value and market value of assets are representations of the Police Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Police Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past ten years.*

**CHART 8**  
**Actuarial Value of Assets vs. Market Value of Assets as of September 30, 2001 – 2010**



**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will

return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss is \$31,909,744, including a loss of \$26,480,795 from investments and a loss of \$5,428,949 from all other sources. The net experience variation from individual sources other than investments was 1.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

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**CHART 9**  
**Actuarial Experience for Year Ended September 30, 2010**

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1. Net loss from investments*	-\$26,480,795
2. Net loss from administrative expenses	-9,507
3. Net loss from other experience	<u>-5,419,442</u>
4. Net experience loss: (1) + (2) + (3)	-\$31,909,744

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\* Details in Chart 10

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Police Fund's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return on an actuarial basis for the 2010 plan year was 0.51%.

Since the actual return for the year was less than the assumed return, the Police Fund experienced an actuarial loss during the year ended September 30, 2010 with regard to its investments.

*This chart shows the loss due to investment experience.*

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**CHART 10**  
**Actuarial Value Investment Experience for Year Ended September 30, 2010**

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1. Actual return	\$1,817,910
2. Average value of assets	353,733,812
3. Actual rate of return: (1) ÷ (2)	0.51%
4. Assumed rate of return	8.00%
5. Expected return: (2) x (4)	\$28,298,705
6. Actuarial loss: (1) – (5)	<u>-\$26,480,795</u>

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**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

With this valuation, the asset method was revised to reflect a 5-year smoothing method with a 20% corridor around the market value of assets. Market value gains/losses are recognized retrospectively over a five-year period.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2001 - 2010**

Year Ended September 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Change in Asset Method		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	\$8,428,495	3.75%	\$6,643,737	2.95%	--	--	\$15,072,232	6.70%	-\$19,487,882	-7.58%
2002	6,789,872	2.86	-932,489	-0.39	--	--	5,857,383	2.46	-17,502,232	-7.43
2003	5,388,399	2.22	1,629,169	0.67	--	--	7,017,568	2.89	38,288,951	17.63
2004	5,382,933	2.14	-131,080	-0.05	--	--	5,251,853	2.09	24,166,540	9.42
2005	6,413,142	2.47	13,259,364	5.11	--	--	19,672,506	7.59	32,035,204	11.29
2006	6,836,104	2.43	24,606,168	8.73	--	--	31,442,272	11.16	27,954,552	8.77
2007	8,239,923	2.63	25,855,269	8.25	--	--	34,095,192	10.88	46,136,886	13.31
2008	9,345,513	2.71	1,979,204	0.57	--	--	11,324,717	3.28	-67,375,145	-17.23
2009	8,024,143	2.26	-6,068,530	-1.71	--	--	1,955,613	0.55	1,455,272	0.45
2010	<u>6,539,090</u>	1.85	<u>-4,721,180</u>	-1.33	<u>\$41,797,931</u>	11.81%	<u>43,615,841</u>	12.33	<u>33,046,935</u>	10.33
Total	\$71,387,614		\$62,119,632		\$41,797,931		\$175,305,177		\$98,719,081	
							Five-year average return	7.42%		2.43%
							Ten-year average return	6.12%		3.35%

Note: Each year's yield is weighted by the average asset value in that year.

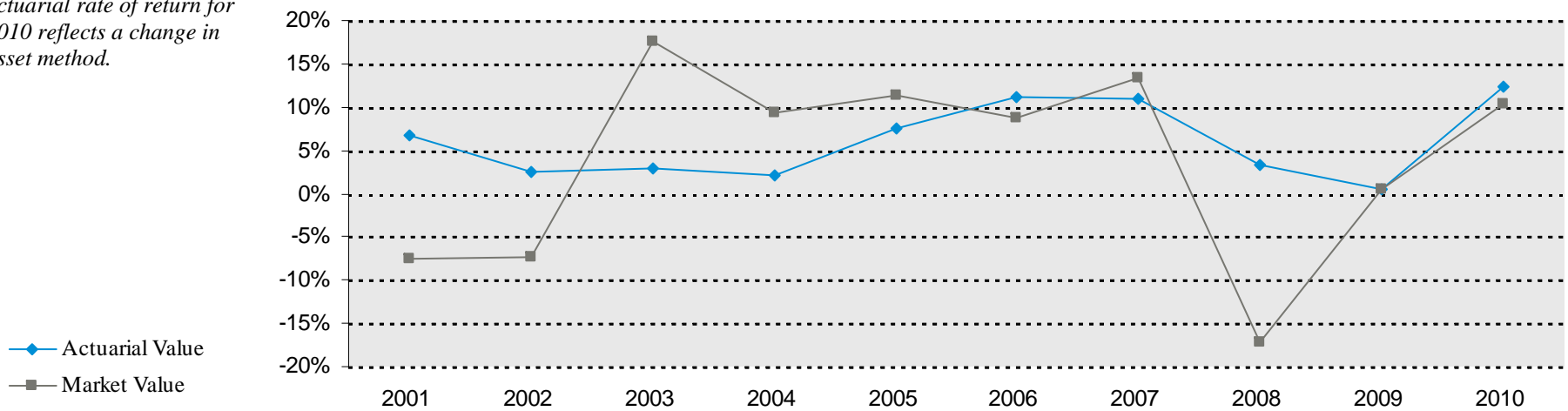
## SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

*This chart illustrates how this leveling effect has actually worked over the years 2001 - 2010. The actuarial rate of return for 2010 reflects a change in asset method.*

**CHART 12**

**Market and Actuarial Rates of Return for Years Ended September 30, 2001 - 2010**



## SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund

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### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended September 30, 2010 amounted to \$5,428,949 which is 1.2% of the actuarial accrued liability.

In the fall of 2010, a comprehensive experience study was completed for the period October 1, 2004 through September 30, 2009. Many of the actuarial assumptions were modified as a result of that study, including mortality for healthy and disabled participants, rates of disability, rates of turnover, retirement rates, salary scale, inflation and the assumption for duty-related disability. In addition, an assumption for joint & survivor benefits was added.

The net impact of all of the assumption changes implemented this year, along with a change in valuation software, was an increase in the recommended contribution rate amounting to 2.08% of payroll.

The recommended change in asset smoothing method for determining the actuarial value of assets, lowered the recommended contribution rate by 5.36% of payroll

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

**D. RECOMMENDED CONTRIBUTION**

Example 1: The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 34.04% of payroll.

The City and the Pension Board have adopted financing periods of 15 years for experience gains and losses and 25 years for benefit, assumption and method changes.

Required contribution amounts have been determined using those periods.

The contribution rates as of October 1, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 13**  
**Recommended Contribution**

	Year Beginning October 1			
	2010		2009	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$14,312,767	29.56%	\$13,656,280	28.84%
2. Administrative expenses	200,144	0.41%	191,341	0.40%
3. Expected employee contributions	<u>-4,051,547</u>	<u>-8.37%</u>	<u>-3,962,184</u>	<u>-8.37%</u>
4. Employer normal cost: (1) + (2) + (3)	\$10,461,364	21.60%	\$9,885,437	20.88%
5. Actuarial accrued liability	443,696,404		406,398,791	
6. Actuarial value of assets	<u>388,956,802</u>		<u>349,933,712</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$54,739,602		\$56,465,079	
8. Payment on projected unfunded actuarial accrued liability	6,022,444	12.44%	4,821,634	10.18%
9. Total recommended contribution: (4) + (8)*	\$16,483,808	34.04%	\$14,707,071	31.06%
10. Total payroll	\$48,422,779		\$47,344,306	
11. Total recommended contribution, projected to October 1, 2011 and 2010	<u>\$17,101,951</u>	<u>34.04%</u>	<u>\$15,295,353</u>	<u>31.06%</u>
12. Projected payroll	\$50,238,633		\$49,238,078	

\*Excludes excess reserve for state contributions. Contribution shown is as of the beginning of the plan year, and must be adjusted with interest at 8% to the date actually paid. 12

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

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**Reconciliation of Recommended Contribution**

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

**CHART 14**

**Reconciliation of Recommended Contribution from October 1, 2010 to October 1, 2011**

<b>Recommended Contribution as of October 1, 2010</b>	\$15,295,353
Effect of increase in projected payroll	310,772
Effect of change in asset method	-2,693,900
Effect due to completion of amortization schedule for early bases	209,071
Effect of change in administrative expenses	9,155
Effect of change in actuarial assumptions and valuation software	1,000,695
Effect of investment loss	2,359,652
Effect of net other changes	<u>611,153</u>
<b>Total change</b>	<u>\$1,806,598</u>
<b>Recommended Contribution as of October 1, 2011</b>	\$17,101,951

**SECTION 2: Valuation Results for the City of Orlando Police Officers' Pension Fund**

**E. INFORMATION REQUIRED BY THE GASB**

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 15 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

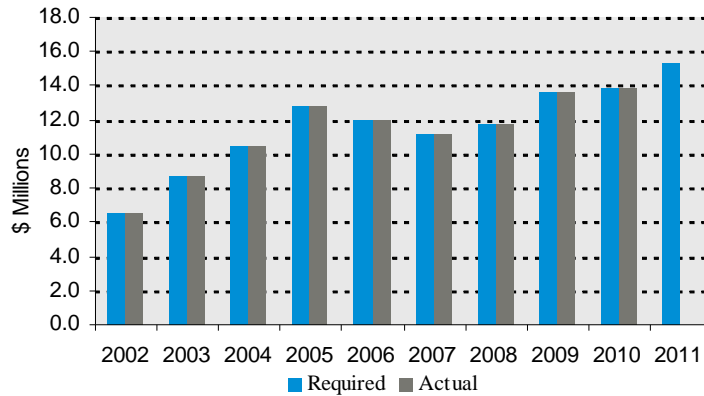
actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

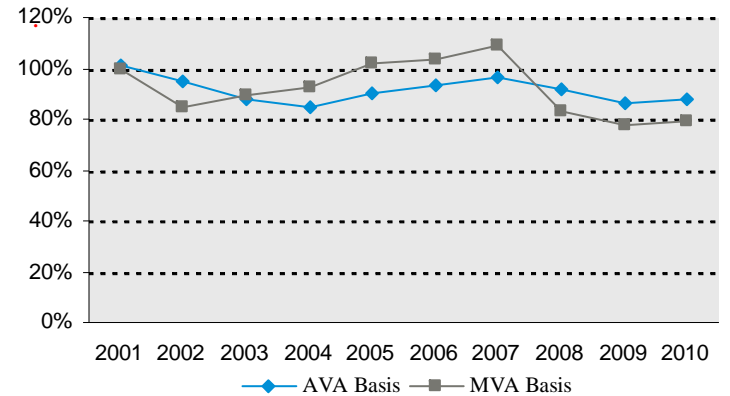
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**  
**Required Versus Actual Contributions**



**CHART 16**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended September 30</b>		<b>Change From Prior Year</b>
	<b>2010</b>	<b>2009</b>	
<b>Active participants in valuation:</b>			
Number	718	731	-1.8%
Average age	39.9	39.5	N/A
Average service	11.7	11.3	N/A
Total payroll	\$48,422,779	\$47,344,306	2.3%
Average payroll	67,441	64,766	4.1%
Account balances	30,579,293	28,317,332	8.0%
Total active vested participants	414	390	6.2%
<b>Vested terminated participants*</b>			
	9	11	-18.2%
<b>Retired participants:</b>			
Number in pay status	370	347	6.6%
Average age	60.8	60.6	N/A
Average monthly benefit	\$3,428	\$3,310	3.6%
<b>Disabled participants:</b>			
Number in pay status	126	125	0.8%
Average age	53.4	53.1	N/A
Average monthly benefit	\$2,817	\$2,745	2.6%
<b>Beneficiaries in pay status</b>			
	46	44	4.5%

*\*Includes terminated participants with employee contributions remaining in the plan.*

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT B**

**Participants in Active Service as of September 30, 2010  
By Age, Years of Service, and Average Payroll**

Age	Years of Service						
	Total	0-4	5-9	10-14	15-19	20-24	25 & over
Under 25	6	6	--	--	--	--	--
	\$47,196	\$47,196	--	--	--	--	--
25 - 29	87	82	5	--	--	--	--
	49,296	48,885	\$56,045	--	--	--	--
30 - 34	93	40	42	11	--	--	--
	57,422	51,150	60,004	\$70,366	--	--	--
35 - 39	155	24	55	63	13	--	--
	65,707	51,861	62,453	71,670	\$76,141	--	--
40 - 44	183	12	23	54	87	7	--
	71,912	50,222	62,981	72,180	76,556	\$78,650	--
45 - 49	137	5	8	24	43	53	4
	77,299	51,805	63,770	70,477	76,247	84,714	\$90,227
50 - 54	44	--	2	--	15	17	10
	80,934	--	58,069	--	75,384	80,260	94,977
55 - 59	12	--	--	2	1	7	2
	78,535	--	--	66,100	76,278	78,260	93,060
60 & over	1	--	--	--	1	--	--
	72,687	--	--	--	72,687	--	--
<b>Total</b>	<b>718</b>	<b>169</b>	<b>135</b>	<b>154</b>	<b>160</b>	<b>84</b>	<b>16</b>
	<b>\$67,441</b>	<b>\$49,965</b>	<b>\$61,557</b>	<b>\$71,497</b>	<b>\$76,303</b>	<b>\$82,769</b>	<b>\$93,550</b>

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT C**

**Reconciliation of Participant Data**

	<b>Active Participants</b>	<b>Vested Former Participants</b>	<b>Disableds</b>	<b>Retired Participants</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of October 1, 2009	731	11	125	347	44	1,258
New participants	18	N/A	N/A	N/A	N/A	18
Terminations – with vested rights	-2	2	0	0	0	0
Terminations – without vested rights	0	N/A	N/A	N/A	N/A	0
Retirements	-23	-1	N/A	24	N/A	0
New disabilities	-2	-1	3	N/A	N/A	0
Return to work	0	0	0	0	N/A	0
Deceased	-1	0	-2	-1	0	-4
New beneficiaries	0	0	0	0	3	3
Lump sum payoffs	-3	-2	0	0	0	-5
Certain period expired	<u>N/A</u>	<u>N/A</u>	<u>0</u>	<u>0</u>	<u>-1</u>	<u>-1</u>
Number as of October 1, 2010	718	9	126	370	46	1,269

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT D**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended September 30, 2010	Year Ended September 30, 2009
<b>Contribution income:</b>		
Employer contributions	\$11,661,500	\$11,429,082
Employee contributions	4,130,671	4,064,050
Chapter 185 Taxes contributions	2,155,329	2,155,329
Excess premium taxes	266,167	522,953
Less administrative expenses	<u>-200,144</u>	<u>-191,341</u>
Net contribution income	\$18,013,523	\$17,980,073
<b>Investment income:</b>		
Interest and dividends	\$7,526,212	\$8,651,158
Net securities lending	131,953	455,629
Recognition of capital appreciation	-4,721,180	-6,068,530
Less investment fees	<u>-1,119,075</u>	<u>-1,082,644</u>
Net investment income	<u>1,817,910</u>	<u>1,955,613</u>
<b>Total income available for benefits</b>	<b>\$19,831,433</b>	<b>\$19,935,686</b>
<b>Less benefit payments:</b>		
Pension Payments	-\$22,300,346	-\$19,808,374
Refunds	<u>-39,761</u>	<u>-43,773</u>
Net benefit payments	-\$22,340,107	-\$19,852,147
<b>Less excess premium taxes to reserve</b>	<b>266,167</b>	<b>\$522,953</b>
<b>Change in actuarial asset method</b>	<b>\$41,797,931</b>	<b>\$0</b>
<b>Change in reserve for future benefits</b>	<b>\$39,023,090</b>	<b>-\$439,414</b>
<hr/>		
Total realized investment gains	\$5,596,444	-\$24,526,618
Total unrealized investment gains	<u>20,911,401</u>	<u>17,957,747</u>
Total	\$26,507,845	-\$6,568,871

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT E**

**Table of Financial Information**

	Year Ended September 30, 2010	Year Ended September 30, 2009
<b>Cash equivalents</b>	\$243,777	\$301,446
<b>Investments:</b>		
Equities	\$195,173,038	\$177,940,673
Fixed income investments	122,164,689	71,707,784
Real Estate	20,092,824	15,499,382
Short-term investments	9,564,374	14,669,630
Asset backed securities	1,974,535	3,256,610
Mortgage backed securities	970,278	38,000,188
Accrued income	<u>918,409</u>	<u>1,047,212</u>
Total investments at market value	<u>350,858,147</u>	<u>322,121,479</u>
<b>Total assets</b>	\$351,101,924	\$322,422,925
<b>Less accounts payable:</b>	-\$297,210	-\$338,562
<b>Net assets at market value</b>	<u>\$350,804,714</u>	<u>\$322,084,363</u>
<b>Net assets at actuarial value*</b>	<u>\$388,956,802**</u>	<u>\$349,933,712</u>

\*Excludes reserves for excess state contributions.

\*\*Includes change in asset method of \$41,797,931.

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT F**

**Development of the Fund Through September 30, 2010**

<b>Year Ended September 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Chapter 185 Premium Taxes*</b>	<b>Net Investment Return**</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Addition to Reserve For Excess State Contributions</b>	<b>Actuarial Value of Assets at End of Year</b>
2001	\$3,374,647	\$1,852,952	\$2,185,944	\$15,072,232	\$97,253	\$9,987,052	\$30,615	\$238,506,102
2002	4,357,858	1,968,125	2,505,993	5,857,383	133,233	10,470,748	350,664	242,240,816
2003	6,498,015	2,324,288	2,796,637	7,017,568	120,072	11,268,117	641,308	248,847,827
2004	8,276,320	3,302,415	3,007,391	5,251,853	181,357	12,215,141	852,062	255,437,246
2005	10,606,538	3,518,708	2,996,307	19,672,506	218,790	13,295,012	840,978	277,876,525
2006	9,844,035	3,517,636	3,049,462	31,442,272	142,522	14,271,320	894,133	310,421,955
2007	8,986,310	3,718,874	2,996,308	34,095,192	161,106	17,100,697	840,979	342,115,857
2008	9,516,264	3,937,281	2,996,308	11,324,717	215,722	18,460,600	840,979	350,373,126
2009	11,429,082	4,064,050	2,678,282	1,955,613	191,341	19,852,147	522,953	349,933,712
2010	11,661,500	4,130,671	2,421,496	43,615,841***	200,144	22,340,107	266,167	388,956,802***

\* *Includes excess premium taxes.*

\*\* *Net of investment fees*

\*\*\* *Includes asset method changes of \$41,797,931.*

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT G**

**Development of Unfunded Actuarial Accrued Liability for Year Ended September 30, 2010**

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1. Unfunded actuarial accrued liability at beginning of year		\$56,465,079
2. Employer normal cost at beginning of year		9,885,437
3. Employer contributions plus state contribution less reserve increase		13,816,829
4. Interest		
(a) For whole year on (1) + (2)	\$5,308,041	
(b) On (3), including adjustment for date contribution made	<u>-2,066,805</u>	
(c) Total interest		<u>3,241,236</u>
5. Expected unfunded actuarial accrued liability		\$55,774,923
6. Changes due to:		
(a) Experience loss	\$31,909,744	
(b) Assumptions*	8,852,866	
(c) Asset method	<u>-41,797,931</u>	
(d) Total changes		<u>-1,035,321</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$54,739,602</u>

\* Includes change in valuation software.

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT H**

**Table of Amortization Bases**

Type*	Date Established	Initial Years	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Experience Loss	09/30/1996	15	\$5,537,717	\$882,368	1	\$882,368
Experience Gain	09/30/1997	15	-4,377,493	-666,359	2	-1,306,495
Experience Gain	09/30/1998	15	-8,995,109	-1,308,021	3	-3,771,670
Experience Gain	09/30/1999	15	-2,170,823	-301,523	4	-1,136,748
Experience Gain	09/30/2000	15	-12,694,421	-1,706,025	5	-7,884,674
Experience Loss	09/30/2001	15	4,529,306	573,835	6	3,121,545
Experience Loss	09/30/2002	15	14,791,870	1,789,580	7	11,141,439
Experience Loss	09/30/2003	15	14,147,797	1,634,375	8	11,409,137
Experience Loss	09/30/2004	15	9,162,122	1,010,546	9	7,787,295
Experience Gain	09/30/2005	15	-4,451,127	-468,693	1	-3,938,328
Experience Gain	09/30/2006	15	-7,033,755	-712,894	11	-6,467,454
Experience Gain	09/30/2007	15	-9,822,841	-958,266	12	-9,309,667
Experience Loss	09/30/2008	15	19,096,044	1,793,072	13	18,527,463
Experience Loss	09/30/2009	15	27,132,541	2,452,129	14	26,792,426
Experience Loss	09/30/2010	15	31,909,744	2,775,672	15	31,909,744
Change in Assumptions	09/30/1990	25	600,000	93,682	5	432,969
Change in Assumptions	09/30/1996	25	2,396,858	275,081	11	2,495,564
Change in Assumptions	09/30/2005	25	-9,957,731	-749,371	2	-10,511,466
Change in Assumptions	09/30/2010	25	8,852,866	549,949	25	8,852,866
Plan Amendment	09/30/1988	25	197,000	32,979	3	95,096
Plan Amendment	09/30/1995	25	6,941,225	834,512	10	7,012,220
Plan Amendment	09/30/2003	25	8,490,209	702,169	18	9,181,020
Plan Amendment	09/30/2004	25	1,143,022	90,178	19	1,222,883
Change in Asset Method	09/30/2010	25	-41,797,931	<u>-2,596,531</u>	25	<u>-41,797,931</u>
Total				\$6,022,444		\$54,739,602

\* Level percentage of payroll

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT I**

**Definitions of Pension Terms**

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial**

**Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability**

**For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability**

**For Pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded Actuarial Accrued**

**Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

### SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund

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#### **Amortization of the Unfunded**

**Actuarial Accrued Liability:** Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

#### **Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT J**

**Supplementary State of Florida Information - Summary of Salary Changes**

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<b>Year Ended September 30</b>	<b>Total Salary</b>	<b>Percent Change in Total Salary</b>	<b>Percent Change in Salary of Employees Remaining Active</b>	<b>Expected Percent Change in Salary of Employees Remaining Active</b>
2000	\$30,038,249	7.20%	7.90%	6.80%
2001	32,747,165	9.00%	6.80%	6.80%
2002	34,952,565	6.73%	7.30%	6.80%
2003	37,147,683	6.28%	7.30%	6.80%
2004	39,442,561	6.18%	7.60%	6.80%
2005	39,966,520	1.33%	2.10%	6.60%
2006	41,844,752	4.70%	1.24%	6.13%
2007	44,813,194	7.09%	4.53%	6.06%
2008	46,067,545	2.80%	4.96%	6.22%
2009	47,344,306	2.77%	5.66%	6.17%
2010	48,422,799	2.28%	5.30%	6.11%

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*Note: The average total payroll growth for the most recent ten years was 4.89% per year.*

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT J (continued)**

**Supplementary State of Florida Information – Recent History of Recommended and Actual Contributions**

Valuation Date October 1	State Contribution	Made	Enhancements			Recommended Contribution		Actual City Contribution
			Amount Available	Base Amount	Allowable Offset	Total	City	
2010	--	--	--	\$2,155,329	--	\$16,483,808	\$14,328,479	--
2009	\$2,421,496	--	\$266,167	2,155,329	\$2,155,329	13,816,829	11,661,500	\$11,661,500
2008	2,678,282	--	522,953	2,155,329	2,155,329	13,584,411	11,429,082	11,429,082
2007	2,996,308	--	840,979	2,155,329	2,155,329	11,671,593	9,516,264	9,516,264
2006	2,996,308	--	840,979	2,155,329	2,155,329	11,141,639	8,986,310	8,986,310
2005	3,049,462	--	894,133	2,155,329	2,155,329	11,999,364	9,844,035	9,844,035
2004	2,996,307	--	840,978	2,155,329	2,155,329	12,761,867	10,606,538	10,606,538
2003	3,007,391	--	852,062	2,155,329	2,155,329	10,431,649	8,276,320	8,276,320
2002	2,796,637	--	641,308	2,155,329	2,155,329	8,653,344	6,498,015	6,498,015
2001	2,505,993	--	350,664	2,155,329	2,155,329	6,513,187	4,357,858	4,357,858
2000	2,185,944	--	30,615	2,155,329	2,155,329	5,516,531	3,361,202	3,374,647
1999	2,304,050	--	148,721	2,155,329	2,155,329	7,092,213	4,936,884	4,936,844
1998	1,935,057	--	--	2,155,329	1,935,057	6,831,979	4,896,922	4,896,923
1997	2,155,329	--	N/A	2,155,329	2,155,329	7,244,684	5,089,355	5,089,355

*\*Note: The recommended contribution for years ending September 30, 2007 and after reflect the assumption that recommended contributions are paid at the beginning of every year..*

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT J (continued)**

**Supplementary State of Florida Information – Recent History of Recommended and Actual Contributions**

<b>Fiscal Year Ended September 30</b>	<b>Valuation Date September 30</b>	<b>Contribution Rate as Percent of Valuation Payroll</b>	<b>Valuation Payroll</b>	<b>Recommended Contribution</b>	<b>Actual Contribution</b>
1994	1993	23.50%	\$18,328,648	\$4,307,500	\$4,307,500
1995	1994	25.54	21,746,572	5,553,800	5,553,800
1996	1995	23.99	23,467,378	5,630,951	5,630,951
1997	1996	29.54	24,071,638	7,110,988	7,110,988
1998	1997	28.12	25,765,341	7,244,684	7,244,684
1999	1998	25.30	27,008,750	6,831,979	6,831,979
2000	1999	25.30	28,032,120	7,092,213	7,092,213
2001	2000	18.37	30,038,249	5,516,531	5,529,976
2002	2001	19.89	32,747,165	6,513,187	6,513,187
2003	2002	24.76	34,952,565	8,653,344	8,653,344
2004	2003	28.08	37,147,683	10,431,649	10,431,649
2005	2004	32.36	39,442,561	12,761,867	12,761,867
2006	2005	30.02	39,966,520	11,999,364	11,999,364
2007	2006	26.63	41,844,752	11,141,639	11,141,639
2008	2007	25.37	44,813,194	11,671,593	11,671,593
2009	2008	28.84	46,067,545	13,584,411	13,584,411
2010	2008	28.84	47,910,247	13,816,829	13,816,829
2011	2009	31.06	49,238,078	15,295,353	--
2012	2010	34.04	50,238,633	17,101,951	--

\* The recommended contribution for the years ending September 30, 2007 and after reflect the assumption that recommended contributions are paid at the beginning of every year. These recommended contributions are adjusted with interest to reflect the date actual contributions are made.

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT J (continued)**

**Supplementary State of Florida Information - Comparative Summary of Principal Valuation Results**

	Year Ended September 30, 2010			Year Ended September 30, 2009
	New Method New Assumptions	Old Method New Assumptions	Old Method Old Assumptions	
<b>Participant data</b>				
Active members	718	718	718	731
Total annual payroll	\$48,422,779	\$48,422,779	\$48,422,779	\$47,344,306
Retired members and beneficiaries	542	542	542	516
Total annualized benefit	\$20,153,573	\$20,153,573	\$20,153,573	\$18,518,868
Terminated vested members	5	5	5	3
Total annualized benefit	\$69,804	\$69,804	\$69,804	\$38,910
Members entitled to a return of employee contributions	4	4	4	8
<b>Actuarial value of assets*</b>	\$388,956,802	\$347,158,871	\$347,158,871	\$349,933,712
<b>Present value of all future expected benefit payments:</b>				
Active members:				
Retirement benefits	\$238,038,807	\$238,038,807	\$252,037,756	\$246,170,965
Vesting benefits	1,449,254	1,449,254	2,121,000	2,113,527
Disability benefits	49,805,045	49,805,045	42,096,517	41,287,141
Death benefits	5,329,373	5,329,373	5,536,495	5,309,985
Return of contributions	<u>30,579,293</u>	<u>30,579,293</u>	<u>30,579,293</u>	<u>28,317,332</u>
Total	\$325,201,772	\$325,201,772	\$332,371,061	\$323,198,950
Terminated vested members**	593,601	593,601	598,209	439,581
Retired members and beneficiaries	<u>240,523,195</u>	<u>240,523,195</u>	<u>234,923,144</u>	<u>215,247,360</u>
Total	\$566,318,568	\$566,318,568	\$567,892,414	\$538,885,891

\* Excludes reserve for excess state contributions.

\*\* Includes employee contributions remaining in plan.

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT J (continued)**

**Supplementary State of Florida Information – Comparative Summary of Principal Valuation Results**

	Year Ended September 30, 2010			Year Ended September 30, 2009
	New Method New Assumptions	Old Method New Assumptions	Old Method Old Assumptions	
<b>Unfunded actuarial accrued liability</b>	\$54,739,602	\$96,537,533	\$87,684,667	\$56,465,079
<b>Actuarial present value of accrued benefits</b>				
Vested accrued benefits				
Active members	\$104,272,570	\$104,272,570	\$96,728,529	\$94,442,288
Inactive members	593,601	593,601	598,209	439,581
Pensioners and beneficiaries	240,523,195	240,523,195	234,923,144	215,247,360
Nonvested active members	<u>21,789,457</u>	<u>21,789,457</u>	<u>15,210,285</u>	<u>15,817,492</u>
Total	\$367,178,823	\$367,178,823	\$347,460,167	\$325,946,721
<b>Pension cost</b>				
Normal cost, including administrative expenses	\$14,512,911	\$14,512,911	\$14,166,191	\$13,847,621
Expected employee contributions	-4,051,547	-4,051,547	-4,051,547	-3,962,184
Level % of payroll payment to amortize unfunded actuarial accrued liability	6,022,444	8,618,975	7,957,622	4,821,634
Total minimum annual cost payable monthly at valuation date	16,483,808	19,080,339	18,072,266	14,707,071
Payroll	48,422,779	48,422,779	48,422,779	47,344,306
As a % of payroll	34.04%	39.40%	37.32%	31.06%
Total minimum annual cost projected to next fiscal year	17,101,951	19,795,852	18,795,157	15,295,353
Projected payroll	50,359,690	50,359,690	50,359,690	49,238,078
As % of projected payroll	34.04%	39.40%	37.32%	31.06%
<b>Present value of active members' future salaries at attained age</b>	\$415,648,163	\$415,648,163	\$462,182,649	\$460,273,773

**SECTION 3: Supplemental Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT J (continued)**

**Supplementary State of Florida Information - Actuarial Present Value of Accumulated Plan Benefits**

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The factors that affected the change in the actuarial present value of accumulated plan benefits from the preceding to the current benefit information date are as follows:

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<b>Factors</b>	<b>Change in Actuarial Present Value of Accumulated Plan Benefits</b>
Actuarial present value of accumulated benefit as of October 1, 2009	\$325,946,721
Benefits accumulated, net experience gain or loss, changes in data	\$18,671,420
Assumption changes*	19,718,656
Benefits paid	-22,340,107
Interest	<u>25,182,133</u>
Net increase/(decrease)	<u>\$41,232,102</u>
Actuarial present value of accumulated benefit as of October 1, 2010	\$367,178,823

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\* Includes change in valuation software

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT I**

**Summary of Actuarial Valuation Results**

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 46 beneficiaries in pay status)		542
2. Participants inactive during year ended September 30, 2010 with vested rights (including 4 participants with employee contributions remaining in the plan)		9
3. Participants active during the year ended September 30, 2010		718
Fully vested	414	
Not vested	304	

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses		\$14,512,911
2. Actuarial accrued liability*		443,696,404
Retired participants and beneficiaries	\$240,523,195	
Inactive participants with vested rights	593,601	
Active participants	202,579,608	
3. Actuarial value of assets* (\$350,804,714 at market value)		388,956,802
4. Unfunded actuarial accrued liability		\$54,739,602

\* Excludes excess reserve for state contributions.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

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The determination of the recommended contribution is as follows:

1. Total normal cost	\$14,312,767
2. Administrative expenses	200,144
3. Expected employee contributions	<u>-4,051,547</u>
4. Employer normal cost: (1) + (2) + (3)	\$10,461,364
5. Net amortization payment as required by Part VII, Chapter 112, Florida Statutes (from Exhibit H)	6,022,444
6. Recommended contribution as of October 1, 2010: (4) + (5)	<u>\$16,483,808</u>
7. Total payroll	\$48,422,779
8. Employer minimum annual contribution: (6), projected to October 1, 2011	
a. Dollar amount	<u>\$17,101,951</u>
b. Projected payroll	\$50,238,633
c. Percent of projected payroll	34.04%

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**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

<b>Plan Year Ended September 30</b>	<b>Annual Required Contributions*</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2005	\$12,761,867	\$12,761,867	100.0%
2006	11,999,364	11,999,364	100.0%
2007	11,141,639	11,141,639	100.0%
2008	11,671,593**	11,671,593	100.0%
2009	13,584,411**	13,584,411	100.0%
2010	13,816,829	13,816,829	100.0%
2011	15,295,353	--	--
2012	17,101,951	--	--

\* *The recommended contribution for the years ending September 30, 2010 and after reflect the assumption that recommended contributions are paid at the beginning of every year.*

\*\* *Adjusted for interest to date paid.*

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)</b>
10/01/2005	\$277,876,525	\$308,378,026	\$30,501,501	90.11%	\$39,966,520	76.32%
10/01/2006	310,421,955	332,996,556	22,574,601	93.22%	41,844,752	53.95%
10/01/2007	342,115,857	354,666,691	12,550,834	96.46%	44,813,194	28.01%
10/01/2008	350,373,126	381,002,165	30,629,039	91.96%	46,067,545	66.49%
10/01/2009	349,933,712	406,398,791	56,465,079	86.11%	47,344,306	119.26%
10/01/2010	388,956,802	443,696,404	54,739,602	87.66%	48,422,779	113.05%

\* *Not less than zero*

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT IV**

**Supplementary Information Required by the GASB**

<b>Valuation date</b>	October 1, 2010
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization:</b>	
<b>Method</b>	Level percent of payroll
<b>Remaining Amortization Period</b>	1 to 25 years
<b>Equivalent Single Period Remaining</b>	11 years
<b>Asset valuation method</b>	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the projected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial assumptions:</b>	
Investment rate of return	8.00%
Projected salary increases	3.75% - 11.00%
Cost of living adjustments	2.00%, beginning at age 55
<b>Plan membership:</b>	
Retired participants and beneficiaries receiving benefits	542
Terminated participants entitled to, but not yet receiving benefits	9
Active participants	<u>718</u>
Total	1,269

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT V**

**Supplementary GASB Information - Analysis of Financial Experience**

Type of Activity	Gain/(Loss) for Year Ended September 30,			
	2010	2009	2008	2007
Age & Service Requirements	N/A	N/A	N/A	N/A
Disability Retirements	N/A	N/A	N/A	N/A
Death-in-Service Benefits	N/A	N/A	N/A	N/A
Withdrawal from Employment	N/A	N/A	N/A	N/A
Pay Increases	N/A	N/A	N/A	N/A
Contribution Income	-0-	-0-	-0-	-0-
Investment Income	-\$26,480,795	-\$26,434,589	-\$16,323,449	\$9,023,170
Death after Retirement	N/A	N/A	N/A	N/A
Other*	<u>-5,428,949</u>	<u>-697,952</u>	<u>-2,772,595</u>	<u>799,671</u>
Experience Gain/(Loss) During Year	-30,909,744	-27,132,541	-19,096,044	9,822,841
Non-recurring Items	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Composite Gain/(Loss) During Year	-\$31,909,744	-\$27,132,541	-\$19,096,044	\$9,822,841

\* This includes gains/(losses) from all sources not separately determined.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT V (continued)**

**Supplementary GASB Information - Solvency Test**

Valuation Date October 1	(1) Active Member Contributions	(2) Accrued Liability for Non-active Members	(3) Accrued Liability for Active Members (Employer - Financed Portion)	Actuarial Value of Assets*	Portion of Accrued Liabilities covered by Actuarial Value of Assets		
					(1)	(2)	(3)
2005	\$18,961,400	\$153,330,400	\$136,086,200	\$277,876,500	100.00%	100.00%	77.59%
2006	21,413,900	165,812,300	145,770,400	310,422,000	100.00	100.00	84.51
2007	24,083,400	176,756,200	153,827,100	342,115,900	100.00	100.00	91.84
2008	26,175,800	197,277,800	157,548,600	350,373,100	100.00	100.00	80.56
2009	28,317,300	215,686,900	162,394,600	349,933,712	100.00	100.00	65.23
2010	30,579,300	241,116,800	172,000,300	388,956,802	100.00	100.00	68.17

\* Excludes excess reserve for state contributions.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT V (continued)**

**Supplementary GASB Information - Schedule of Retirees and Beneficiaries**

Valuation Date October 1	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance		
2005	25	\$998,500	3	\$52,300	429	\$13,016,800	8.67%	\$30,300
2006	18	990,200	1	17,600	446	14,101,200	8.33	31,600
2007	21	1,015,100	7	133,200	460	15,104,600	7.12	32,800
2008	36	1,787,800	6	128,000	490	16,893,200	11.84	34,500
2009	35	1,720,100	9	245,400	516	18,518,900	9.62	35,900
2010	30	1,501,600	4	57,200	542	20,153,600	8.83	37,200

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*Healthy:* RP-2000 Combined Healthy Mortality Table, set forward one year

*Disabled:* RP-2000 Combined Healthy Mortality Table, set forward one year

**Termination Rates before Retirement:**

Age	Rate (%)					
	Mortality		Disability*		Withdrawal**	
	Male	Female	Male	Female	Male	Female
20	0.04	0.02	0.28	0.28	5.25	5.25
25	0.04	0.02	0.28	0.28	1.31	1.31
30	0.05	0.03	0.28	0.28	1.18	1.18
35	0.08	0.05	0.76	0.76	0.93	0.93
40	0.11	0.08	0.87	0.87	0.38	0.38
45	0.16	0.12	0.99	0.99	0.20	0.20
50	0.24	0.19	1.33	1.33	0.00	0.00
55	0.42	0.31	2.11	2.11	0.00	0.00
60	0.77	0.58	2.11	2.11	0.00	0.00

Rate of withdrawal for active members at any age with less than five years of service:

Years of Service	Rate
0	6.75%
1	5.07
2	3.38
3	2.70
4	2.37

*\*95% of disabilities are assumed to be duty-related.*

*\*\*Rates cut off at eligibility for earliest retirement..*

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

**Retirement rates (each year, if eligible)**

<b>Years of Service</b>	<b>Rate</b>
20	25%
21-22	5
23-24	10
25-26	25
27	35
28	70
29	80
30+	100

**Retirement Age for Inactive**

**Vested Participants:**

Former employees with rights to deferred benefits are assumed to retire at earliest eligibility.

**Percent Married:**

80%

**Age of Spouse:**

Females 3 years younger than males.

**Net Investment Return:**

8.00%, net of investment expenses

**Salary Increases:**

<b>Years of Service</b>	<b>Rate (%)</b>
Less than 1	11.00
1-2	10.00
2-3	9.00
3-5	7.00
5-10	6.50
10 or more	3.75

Above rates reflect a 3.75% inflation assumption.

#### SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund

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<b>Payroll Growth Rate:</b>	3.75% used for amortization of unfunded liability amounts.
<b>Administrative Expenses:</b>	Previous year's actual expenses; \$200,144 for the year beginning October 1, 2010.
<b>Actuarial Value of Assets:</b>	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the projected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
<b>Changes in Assumptions:</b>	<p>As recommended in the October 1, 2004 – September 31, 2009 experience study and adopted by the Board, the following assumptions have changed:</p> <ul style="list-style-type: none"><li>➤ The salary scale assumption was modified to remove the age based component to be based solely on years of service. In addition, the inflation component of the salary scale was lowered from 4.00% per year to 3.75% per year, and the rates in the first ten years of employment were modified.</li><li>➤ The payroll growth rate assumption (used for determining the amortization of the unfunded actuarial accrued liability when the recommended contribution is determined as a level percentage of payroll) was lowered from 4.00% to 3.75%.</li><li>➤ The assumed turnover rates have been reduced by 10% during the five-year select period and reduced by 30% in the ultimate (after five years) period.</li><li>➤ The mortality table for healthy and disabled participants was changed to the RP-2000 Combined Healthy Mortality Table, set forward one year.</li><li>➤ The assumed disability rates were changed from 80% of the current baseline table to 92.5% of the current baseline table.</li><li>➤ Retirement rates were modified to reflect retirements beginning at 20 years of service, removing the rates for less than 20 years.</li><li>➤ An assumption that survivor benefits will be paid on 61% of the current retirees whose data indicates a potential survivor beneficiary has been added.</li><li>➤ The duly-related disability assumption was changed from 75% to 95% of all disabilities.</li></ul>

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**Changes in Method:**

The asset method was changed with this valuation to reflect a 5-year smoothing method with a 20% corridor around the market value of assets. Market value gains/losses were recognized retrospectively, although asset values from prior actuarial valuations will not change.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**EXHIBIT VII**

**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of the City of Orlando Police Officers' Pension Fund included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

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**Plan Year:** October 1 through September 30

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**Normal Retirement:**

<i>Age Requirement</i>	None
<i>Service Requirement</i>	20 years of credited service
<i>Amount</i>	70% of average monthly salary plus 2% of average monthly salary for each year of credited service in excess of 20 years (to a maximum of 5 years), plus additional 2% of average monthly salary for each year of credited service in excess of 40 years. Annual cost-of-living adjustment of 2% beginning at age 55.

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**Early Retirement:**

<i>Age Requirement</i>	47
<i>Service Requirement</i>	10 years of credited service
<i>Amount</i>	2% of average monthly salary multiplied by years of service. If service is 20 years or more, normal pension amount.

---

**Vesting:**

<i>Age Requirement</i>	None
<i>Service Requirement</i>	10 Years
<i>Amount</i>	Less than 20 years of service: 2% of average monthly salary times years of service; payable at age 47. 20 or more years: Normal pension accrued.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**Disability:**

On Duty

<i>Age Requirement</i>	None
<i>Service Requirement</i>	None
<i>Amount</i>	80% of average monthly salary; effective July 1, 1995, an annual cost-of-living adjustment of 2% beginning at age 55.

Off Duty

<i>Age Requirement</i>	None
<i>Service Requirement</i>	None
<i>Amount</i>	Less than 10 years service: 3% of average monthly salary times years of service 10-15 years of service: 4% of average monthly salary times years of service 16-20 years of service: 60% of average monthly salary 20+ years: 60% of average monthly salary plus an additional 4% for each additional year of service over 20 years, to a maximum of 80% of average monthly salary.

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**Pre-Retirement Death Benefit:**

On Duty

<i>Requirement</i>	Death while in active service
<i>Amount</i>	60% of average monthly salary

Off Duty

<i>Requirement</i>	10 years of credited service
<i>Amount</i>	65% of amount of pension computed as if the decedent had retired under the off-duty disability provision.

**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**Post-Retirement Death Benefits:**

On Duty Disability or Service Requirement

*Amount* The surviving spouse is paid 75% of the decedent's pension.

Off Duty Disability Retirement

*Amount* The surviving spouse is paid 65% of the decedent's pension.

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**Deferred Retirement**

**Option Provision (DROP):**

A participant may retire at any time after completing 21 years of service with the option to BACKDROP for up to three years but not prior to the date the participant became eligible for a service pension. The retirement benefit amount is calculated based upon service and salary at the retroactive BACKDROP date. Up to 36 months of this benefit amount will be used in determining the BACKDROP lump-sum which shall accrue earnings at 8% interest, compounded annually from the retroactive retirement date. The BACKDROP account is payable to the participant upon termination of employment. A BACKDROP participant will not be eligible to participate in cost-of-living increases during the BACKDROP period.

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**Average Monthly Salary:**

Average of the last 36 months of credited service. If total credited service is less than 3 years, the monthly average of total salary paid shall be used. Salary includes base pay, differential pay, longevity pay, incentive pay and career development pay. Salary does not include overtime pay, education advancement pay, firearm's qualification pay or any item not specifically included.

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**Participation:**

All police officers and managers regularly and continually employed in the police department.

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**SECTION 4: Reporting Information for the City of Orlando Police Officers' Pension Fund**

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**Contributions:** 1% of salary for management employees  
2% of salary for nonmanagement employees  
0.40% of salary to finance the 1998 removal of the age 47 requirement for normal retirement  
3.33% of salary to finance cost-of-living adjustment, effective October 1, 1995  
2.74% of salary to finance BACKDROP and other benefit enhancements effective July 1, 2003.

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**Changes in Plan Provisions:** There have been no changes in plan provisions since the last valuation.

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