5.2
PUBLIC HEARING

TOWN OF DAVIE
TOWN COUNCIL AGENDA REPORT

TO: Mayor and Councilmembers

FROM/PHONE: Kenneth Cohen, Assistant Town Administrator/797-1030

PREPARED BY: William W. Ackerman, CPA, Budget & Finance Director/797-1050

SUBJECT: Ordinance

AFFECTED DISTRICT: N/A

ITEM REQUEST: **Schedule for Council Meeting**

TITLE OF AGENDA ITEM: PENSION AMENDMENT - AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA, AMENDING THE TOWN OF DAVIE FIREFIGHTERS PENSION TRUST FUND TO ADOPT THE PENSION PROVISIONS OF THE 2005 - 2008 FIREFIGHTER COLLECTIVE BARGAINING AGREEMENT; AMENDING SECTION TWO OF THE PLAN TO REVISE THE DEFINITION OF EARNABLE COMPENSATION TO INCLUDE TOTAL REMUNERATION EXCLUSIVE OF OVERTIME; AMENDING SECTION FOUR OF THE PLAN TO PROVIDE FOR MEMBER CONTRIBUTIONS OF 8.4% OF EARNABLE COMPENSATION; AMENDING SECTION SIX OF THE PLAN TO CLARIFY THE NORMAL FORM OF RETIREMENT BENEFIT FOR A MARRIED PARTICIPANT AS THE 60 PERCENT JOINT AND SURVIVOR ANNUITY OR UNREDUCED TEN YEAR CERTAIN AND LIFE ANNUITY; AMENDING SECTION SIX OF THE PLAN TO PROVIDE FOR A HIGHER MULTIPLIER FOR A MEMBER'S SIXTEENTH THROUGH TWENTIETH YEARS OF SERVICE; AMENDING SECTION FOURTEEN OF THE PLAN TO PROVIDE FOR A FIVE YEAR DROP; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER; AND PROVIDING FOR AN EFFECTIVE DATE. {Approved on First Reading July 2, 2008. The vote was as follows: Mayor Truex - no; Vice Mayor Luis - yes; Councilmember Starkey - yes; Councilmember Caletka - no; Councilmember Crowley - yes}

REPORT IN BRIEF: As the Council may be aware, certain changes to the Fire Pension Plan are needed to adopt the pension provisions of the 2005-2008 Firefighter collective bargaining agreement. This ordinance changes the definition of pensionable compensation to gross remuneration, exclusive overtime pay; changes the retirement benefit multiplier to 5.0% per year for years 16 through 20 of service from (the current 4.0%); reaffirming that the normal form of payment for a married member upon

retirement will be a joint and 60% survivor annuity; changes the maximum DROP participation to five years and the increases of the member contribution rate from the current 7.0% to 8.4%.

As a result, we respectfully request Town Council's approval of the attached ordinance.

PREVIOUS ACTIONS: Town Council previously amended the Firefighter Pension Trust via Ordinance O-2005-024 on September 21, 2005 and approved the IAFF Collective Bargaining Agreement on June 20, 2007 via resolution R-2007-170. Town Council previously tabled this item on June 4, 2008 and June 18, 2008.

CONCURRENCES: The Town's pension attorney reviewed the ordinance and concurs with the changes. The Firefighter Pension Board's Attorney and actuary also concur with the Ordinance.

FISCAL IMPACT: not applicable

Has request been budgeted? n/a

RECOMMENDATION(S): Motion to approve the Ordinance

Attachment(s): Letter from Dulaney, letter from Glenn Thomas, ordinance, Actuarial Impact Statement

DuLaney & Company, Inc.
Actuarial Services

10691 N. Kendall Drive
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April 11, 2008

Mr. Scott Mogavero
Chairman, Town of Davie Firefighters
Pension Board
1331 SE 5th Avenue
Pompano Beach, FL 33060

Re: Town of Davie Firefighters' Pension Fund – Proposed Ordinance

Dear Scott:

As requested, we have reviewed the most recent proposed ordinance to amend the Town of Davie Firefighters' Pension Plan (attached) and we have determined that the proposed changes would have **no actuarial cost impact to the Town**, since the benefit enhancements are being funded solely by an increase in the member contribution rate and use of the available Chapter 175 funds.

The proposed benefit improvements are: change the definition of pensionable compensation to gross remuneration, exclusive of overtime pay; change the retirement benefit multiplier to 5.0% per year for years of 16 through 20 of service (from the current 4.0%); reaffirming that the normal form of payment for a married member upon retirement will be a joint and 60% survivor annuity; changing the maximum period of DROP participation to five (5) years; and the increase of member contribution rate from the current 7.0% to 8.4%.

Once the ordinance has passed on first reading, we will prepare and deliver an actuarial impact statement to you and the State Division of Retirement showing that the Town's contribution requirement would be the same under both the "before" and "after" scenarios.

If you have any questions, please let us know.

Sincerely,

Don DuLaney, Jr.

Donald A. DuLaney, Jr., A.S.A.
Senior Consulting Actuary

DAD:jm

cc: Mr. Glenn Weaver
Adam Levinson, Esq.
Mr. Pete Prior

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LEWIS, LONGMAN & WALKER, P.A.
ATTORNEYS AT LAW

Reply To: Tallahassee

May 19, 2008

Mr. Gary Shimun
Town Administrator
Town of Davie
6591 Orange Drive
Davie, FL 33314-3399

Re: Proposed Firefighter Pension Ordinance

Dear Mr. Shimun:

This responds to a request by the Town to review a proposed ordinance amending the Town of Davie Firefighter Pension Plan for compliance with Florida law and the collective bargaining agreement between the Town and the IAFF. We have reviewed the proposed ordinance for compliance with applicable state and federal laws, and compared the content of the ordinance with the collective bargaining agreement between the Town and the International Association of Firefighters. Our comments on the proposed ordinance follow.

Proposed Benefit Changes

Section 1 of the ordinance revises Section 2 of the Firefighter pension plan, "Definitions," to enhance the definition of "earnable compensation" to include a member's total remuneration, excluding overtime. The benefit improvement is applied retroactively to October 1, 2006. This change implements Article 11, Section 1.b of the collective bargaining agreement. Section 175.032(3) defines "compensation" as the fixed monthly remuneration paid a firefighter.

Section 2 of the proposed ordinance revises Section 4 of the Firefighter pension plan, "Contributions," to increase the member contributions from 7% of earnable compensation to 8.4% of earnable compensation. The revisions also eliminate an alternative compensation rate formula provided in subsections A(1)-(3). The current formula under this subsection provides

for a 7% contribution rate plus an actuarially determined contribution rate in accordance with an employee's date of hire.

Article 11 of the collective bargaining agreement states that the cost of the pension benefit increases will be paid in accordance with Article 12 of the Agreement. However, Article 12 makes no mention of an increase in member contributions. The Ordinance includes a "Whereas" clause that states the membership voted to increase employee contributions in order to preserve cost neutrality for the City. It is unclear from the Agreement or the Ordinance whether subsections A(1)-(3) of Section Four (Contributions) would remain in effect following adoption of the ordinance, or whether 8.4% would become the maximum contribution rate for all members. This should be clarified in the ordinance.

Section 3 of the Ordinance amends Section 6 of the Firefighters' pension plan, "Service retirement benefits, early retirement benefits; cost of living adjustments." The amendments will establish a normal form of retirement for married members equal to an unreduced monthly benefit for the member and a 60% annuity payable to the member's surviving spouse for life. The normal form of retirement for an unmarried member would be an unreduced life annuity with 120 guaranteed payments. This change implements Article 11, Section 1(d) of the collective bargaining agreement. The normal form of benefit under Chapter 175 is life and ten years certain, which provides for payment of the full benefit for the member's lifetime, and if the member dies within ten years after retirement, the same amount is paid to the designated beneficiary for the remainder of the ten year period.

Also under Section 3 of the Ordinance, effective June 21, 2007, the normal retirement benefit for members actively employed on June 21, 2007, including DROP participants, will be as follows:

- 3% during the first 10 years of service (same as the current plan)
- 4% during years eleven (11) through fifteen (15) (same as the current plan)
- 5% for years 16 through 20 (currently 4%) resulting in a 75% benefit after 20 years of service, as compared with 70% under the current plan
- 2% for years 21 through 30 (same as current plan) resulting in a 95% benefit after 30 years of service

This section would appropriately implement Article 11, sections 1.c-d of the Collective Bargaining Agreement. The minimum benefit requirement under Chapter 175, Florida Statutes, provides for a 2% multiplier for all years of service.

Section 4 of the Ordinance implements the five-year maximum DROP participation period provided for under Article 11, section 1.a. The minimum benefit provisions of Chapter 175, Florida Statutes do not require any type of DROP program

Funding

Articles 11 and 12 contain funding provisions that should be included in a separate section of the Ordinance in order to eliminate any potential confusion over how the proposed benefits are to be funded. Specifically, Article 11, Sec. 2 states:

> It is expressly agreed that whatever costs are ultimately attributable to the DROP -- as determined by the Town's actuary -- will be borne entirely by bargaining unit employees or by bargaining unit DROP participants, not by the Town.

Article 12 contains the following provisions:

> 1. The Town will enact an ordinance creating a section of the Davie Firefighters Pension Trust establishing a Share Plan for the distribution of funds from excess premium tax revenues received under Chapter 175 Florida Statues prior to October 01, 2005, from interest earned on said funds, and excess premium tax revenues received under Chapter 175 Florida Statues on or after October 01, 2005.
>
> 2. Such funds received on or after October 01, 2005, which are estimated to be $318,642 per year (after paying for Minimum Benefits), shall be utilized by the Town to pay for the increased benefits resulting from the Article 11, Section 1 of this agreement.
>
> * * *
>
> 4. If the cost of increasing the pension benefits resulting from the Article 11, Section 1 of this agreement exceeds $318,642 per contract year, the benefit increases will be paid for out of any Chapter 175 funds received which may be in excess of the estimated $318,642 (after paying for Minimum Benefits) and then from the funds identified in Section 1 of this article. If insufficient funds (identified in Section 1 of this article) exist, the benefit multiplier increases from four percent (4%) to five percent (5%) for years sixteen (16) through twenty (20) will be equally adjusted, accordingly, so that the Town bears no additional costs.

The intent of the funding provisions is not clear. Paragraph 1 states that the excess premium tax revenues received after October 1, 2005 would be deposited in a share plan, but paragraph 2 states that $318,642 of the same funds will be used each year to fund the new extra benefits provided for in Article II, section 1 of the collective bargaining agreement. The excess premium tax revenues received on or after October 1, 2005 cannot be used to fund both the share plan and the benefit enhancements.

The ordinance should make it clear that premium tax money designated for the share plan in paragraph 1, will be reduced by $318,642 or the amount required to actuarially fund the promised benefits. The ordinance should also clearly state that the Town's required contributions will not increase as a result of the new benefits, now or in the future; and if the amount required to fund the new benefits exceeds the available excess premium tax revenues, the benefits will be adjusted (i.e. reduced) or member contributions will be increased to eliminate any increase in the Town's contributions.

The funding provisions are not clear regarding what happens if the future cost of the proposed benefit improvement exceeds the amount provided by the increase in member contributions and the premium tax revenues. The City may wish to consider adding a separate section to the ordinance indicating that in such event, either member contributions will increase or the benefit will decrease; but in no event will the benefit improvements result in a cost to the City.

Conclusion

In our opinion, the proposed ordinance complies with applicable state and federal law. Moreover, the proposed ordinance appropriately implements the benefit improvements set forth in the collective bargaining agreement. However, the funding language should be clarified as provided above.

Please call us if you have any further questions concerning these matters.

Sincerely,

Glenn E. Thomas

cc: William W. Ackerman, Director
Budget & Finance Department

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA, AMENDING THE TOWN OF DAVIE FIREFIGHTERS PENSION TRUST FUND TO ADOPT THE PENSION PROVISIONS OF THE 2005 - 2008 FIREFIGHTER COLLECTIVE BARGAINING AGREEMENT; AMENDING SECTION TWO OF THE PLAN TO REVISE THE DEFINITION OF EARNABLE COMPENSATION TO INCLUDE TOTAL REMUNERATION EXCLUSIVE OF OVERTIME; AMENDING SECTION FOUR OF THE PLAN TO PROVIDE FOR MEMBER CONTRIBUTIONS OF 8.4% OF EARNABLE COMPENSATION; AMENDING SECTION SIX OF THE PLAN TO CLARIFY THE NORMAL FORM OF RETIREMENT BENEFIT FOR A MARRIED PARTICIPANT AS THE 60 PERCENT JOINT AND SURVIVOR ANNUITY OR UNREDUCED TEN YEAR CERTAIN AND LIFE ANNUITY; AMENDING SECTION SIX OF THE PLAN TO PROVIDE FOR A HIGHER MULTIPLIER FOR A MEMBER'S SIXTEENTH THROUGH TWENTIETH YEARS OF SERVICE; AMENDING SECTION FOURTEEN OF THE PLAN TO PROVIDE FOR A FIVE YEAR DROP; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Town Council of the Town of Davie has previously adopted Ordinance 98-47 amending and restating the pension plan for firefighters;

WHEREAS, the Town of Davie Firefighter Pension Plan is required to comply with the minimum benefit requirements of Chapter 175, Florida Statutes;

WHEREAS, the Town of Davie Firefighter Pension Plan receives Chapter 175 premium tax revenue from the State of Florida and is governed by the requirements of Chapter 175, Florida Statutes;

WHEREAS, the Town and The Professional Firefighters, Local 2315 ratified a Collective Bargaining Agreement for October 1, 2005 - September 30, 2008 (hereinafter the "CBA");

WHEREAS, it is necessary to amend the Pension Plan to effectuate the Collective Bargaining Agreement provisions;

WHEREAS, the CBA required cost neutrality for the Town in any new pension benefits;

WHEREAS, the originally negotiated benefits would not have been cost neutral to the Town if funded solely with Chapter 175 funding; and

WHEREAS, the membership voted to increase the employee contribution from 7% to 8.4% of earnable compensation to preserve cost neutrality for the Town.

WHEREAS, excess premium tax revenues received under Chapter 175 Florida Statutes on or after October 01, 2005, which are estimated to be $318,642 per year (after paying for Minimum Benefits), shall be utilized by the Town to pay for the increased benefits resulting from Article 11, Section 1 of the Collective Bargaining Agreement for October 1, 2005 through September 30, 2008; and

WHEREAS, the Town and the Professional Firefighters, Local 2315 have agreed that if the cost of increasing the pension benefits resulting from the Article 11, Section 1 of the Collective Bargaining Agreement for October 1, 2005 through September 30, 2008 exceeds $318,642 per contract year, the benefit increases will be paid for out of any Chapter 175 funds received which may be in excess of the estimated $318,642 (after paying for Minimum Benefits) and then from excess premium tax revenues to the extent allowed under Chapter 175, Florida Statutes

WHEREAS, the Town and the Professional Firefighters, Local 2315 have agreed that if insufficient funds exist to fund the enhanced benefit multiplier provided under this ordinance, the benefit will be adjusted, accordingly, so that the Town bears no additional costs.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA, THAT:

Section 1: Section 2 of the Town of Davie Firefighters Pension Trust Fund is hereby amended to read as follows:

SECTION TWO. DEFINITIONS.

J. Earnable Compensation shall mean a member's total remuneration, exclusive of overtime ~~base salary, longevity, and flat rate educational supplements (but not percentage educational supplement and not overtime or other forms of compensation~~) including pick-up contributions for all straight time hours worked, effective October 1, 2006.

Section 2: Section 4 of the Town of Davie Firefighters Pension Trust Fund is hereby amended to read as follows:

SECTION FOUR. CONTRIBUTIONS.

A. The Town shall pick-up, rather than deduct from each member's pay, as intended

under Section 414(h)(2) of the Internal Revenue Code, beginning with the date of employment, ~~seven (7%)~~ eight and four tenths percent (8.4%) percent of the member's earnable compensation~~, or such other amount as set forth below in subsection (1) through (3) below~~. The monies so picked-up shall be deposited in the Fund. An account record shall be maintained continuously for each member. Pick-up contributions shall continue until death, disability or termination of service, whichever shall occur first. Contributions shall remain in the Fund unless withdrawn as provided in the Plan. No member shall have the option to choose to receive the contributed amounts directly instead of having them paid by the Town directly to the Plan. All such pick-up contributions by the Town shall be deemed and be considered as part of the member's accumulated contributions and subject to all provisions of the Plan pertaining to accumulated contributions of members. The intent of this provision is to comply with Section 414(h)(2) of the Internal Revenue Code. For the purpose of accruing and calculating pension benefits, Social Security benefits, overtime compensation, percentage increases to base pay, supplemental percentage payments for particular assignments, education, experience, longevity, years of service, payroll steps, licensure or training, and for paying Social Security taxes, and for such other purposes except as specified in this Plan, the amount of employee contributions "picked-up" or paid by the Town will be added to the amount distributed on a current basis in order to determine total wages, salary, pay or compensation.

Section 3: Section 6 of the Town of Davie Firefighters Pension Trust Fund is hereby amended to read as follows:

SECTION SIX. SERVICE RETIREMENT BENEFITS; EARLY RETIREMENT BENEFITS; COST OF LIVING ADJUSTMENTS.

***

B. A normal retirement benefit shall be determined by multiplying three (3%) of final monthly compensation by the number of years of credited service for the first twenty (20) years of credited service and two (2%) percent for each additional year of credited service, up to a maximum of 30 years of service. ~~The normal form of retirement benefit shall be an unreduced life annuity with one hundred twenty (120) guaranteed payments. If the member shall die prior to receiving one hundred twenty (120) payments, the remaining benefits shall be paid to the beneficiary designated by the member. In the event that no beneficiary has been designated, the member's estate shall be the recipient of the remaining balance of payments.~~ Effective October 1, 2004, the normal retirement benefit shall be three percent (3%) of Final Monthly Compensation per year for the first ten (10) years of Credited Service, four

percent (4%) of Final Monthly Compensation per year for the next ten (10) years of Credited Service, and two percent (2%) of Final Monthly Compensation per year for the next ten (10) years of Credited Service, for all members who were actively employed on or after October 1, 2002. Effective June 21, 2007, the normal retirement benefit shall be calculated using a four percent (4%) multiplier during years eleven (11) through fifteen (15) and a five percent (5%) multiplier for years sixteen (16) through twenty (20), resulting in a seventy-five percent (75%) benefit after twenty (20) years of service for members actively employed, including DROP participants, on June 21, 2007. During years twenty-one (21) through thirty (30) the multiplier shall be two percent (2%) per year, resulting in a ninety-five (95%) benefit after thirty (30) years of service for members actively employed on June 21, 2007, including DROP participants.

1. Unmarried Participant. The normal form of retirement benefit for an unmarried participant shall be an unreduced life annuity with one hundred twenty (120) guaranteed payments. If the member shall die prior to receiving one hundred twenty (120) payments, the remaining benefits shall be paid to the beneficiary designated by the member. In the event that no beneficiary has been designated, the member's estate shall be the recipient of the remaining balance of payments.

2. Married Participant. The normal form of retirement benefit for a married Participant shall be a sixty percent (60%) joint and survivor annuity described below. The 60 percent joint and survivor annuity is an unreduced monthly benefit payable throughout the member's lifetime, with 60% of that amount continuing to the surviving spouse for life. No member can elect this form of payment for any beneficiary other than a member's surviving spouse.

***

D. 3. Ten (10) Year Certain and Life Thereafter.

A member may elect to receive an unreduced life annuity with one hundred twenty (120) guaranteed payments. If the member shall die prior to receiving one hundred twenty (120) payments, the remaining benefits shall be paid to the beneficiary designated by the member. In the event that no beneficiary has been designated, the member's estate shall be the recipient of the remaining balance of payments. Unless the member has selected an optional form of

payment, the ten year certain and life thereafter benefit shall be the normal retirement benefit for an unmarried member. The normal form of retirement benefit for a married Participant shall be the sixty percent (60%) joint and survivor annuity described above.

Section 4: Section 14 of the Town of Davie Firefighters Pension Trust Fund is hereby amended to read as follows:

SECTION FOURTEEN. DEFERRED RETIREMENT OPTION PLAN.

***

B. Eligibility.

***

2. The maximum DROP participation period shall be five (5) years commencing at the earliest date of eligibility. The available DROP participation period shall decline by one month until the expiration of a sixty (60) month period beginning at eligibility date. Effective October 1, 2002, the maximum period of DROP participation shall be increased by one (1) year to a maximum participation period of six (6) years for all members of the Pension Plan and existing DROP participants. The maximum period of DROP participation shall be five (5) years for all members entering into the DROP after June 21, 2007.

Section 5: A one time supplemental lump sum benefit shall be paid to all retirees who are not eligible to participate in the pension enhancements contained in this ordinance. The one time enhancement shall be funded exclusively with accumulated supplemental Chapter 175 funds and shall be self executing, without further action by the Town Council.

Section 6: The higher multiplier set forth within shall be self executing, without further action by the Town Council, only after it is determined by the Pension Board and certified by the plan's actuary that sufficient Chapter 175 funds are available to implement the higher benefit, together with the higher member contribution.

Section 7: As determined by the Board, in consultation with the Plan's actuary, benefits shall be enhanced consistent with Article 11 and 11A of the 2005 - 2008 collective bargaining agreement.

Section 8: If any clause, section, or other part or application of this Ordinance shall be held in any court of competent jurisdiction to be unconstitutional or invalid, such unconstitutional or invalid part or application shall be considered as eliminated and shall

not affect the validity of the remaining portions or applications which shall remain in full force and effect.

Section 9: All ordinances or parts of ordinances, resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Section 10: This Ordinance shall become effective immediately upon adoption, unless otherwise provided.

PASSED on first reading by the Town Council of the Town of Davie, Florida, this ____ day of _____, 2008.

PASSED AND ADOPTED on the second reading by the Town Council of the Town of Davie, Florida, this ____ day of _____, 2008.

_____
MAYOR/COUNCILMEMBER

Attest:

_____
City Clerk

APPROVED THIS _____ DAY OF _____, 2008

Coding: Words in stricken type are deletions from existing text.
Words in underline type are additions.

Table I
(continued three)

	Prior Plan 10/01/2007	Proposed Plan 10/01/2007
F. Disclosure of Following Items:		
1. Actuarial present value of future salaries - attained age	$ 76,982,179	$ 83,166,607
2. Actuarial present value of future employee contributions - attained age	$ 5,388,753	$ 6,985,995
3. Actuarial present value of future contributions from other sources	N/A	N/A
4. Amount of active members' accumulated contributions	$ 2,969,043	$ 2,969,043
5. Actuarial present value of future salaries and future benefits at entry age	Not provided by software	
6. Actuarial present value of future employee contributions at entry age	Not provided by software	

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 provided for in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Donald A. DuLaney Jr., A.S.A.
Senior Consulting Actuary

5/8/08
Date

08-4191
Enrollment Number

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TABLE II

TOWN OF DAVIE FIREFIGHTERS' PENSION PLAN

Outline of Principal Provisions of the Plan

1. Effective Date

December 19, 1973, revised and amended as of October 1, 1982 as Resolution R-82-107. Subsequent amendments made in 1990, 1994 and 2000. The most recent plan amendment was 2005-23. The proposed changes are the provisions of the current Collective Bargaining Agreement between the Town and the Firefighters.

2. Eligibility Requirements

a. Participants in previous retirement plan as of 10/1/1982 are automatically and immediately included.

b. Participation (with satisfactory physical) upon date of hire or attainment of age 18, if later.

3. Credited Service

Uninterrupted service in years and completed months from date of hire to date of retirement or termination. A member may buy back up to four (4) years of total prior military and firefighter service with any state, municipal or federal agency after one (1) year of actual service with the Town. The member must pay the fund the actuarial equivalent cost of the buy back.

4. Earnable Compensation

Basic wages paid to an employee, regular longevity pay, and educational incentive pay, but excluding bonuses, commissions, and all other forms of extraordinary compensation. Payments for unused leave time (vacation, sick leave, compensatory leave, etc.) are not included in pensionable compensation.

Effective October 1, 2006, earnable compensation shall mean a member's total remuneration, exclusive of overtime pay.

5. Final Monthly Compensation (FMC)

The monthly earnings of a member over the three (3) years which produce the highest average.

6. Employee Contributions

8.4% of the members' earnable compensation to the plan, starting on their eligibility dates and continuing to their dates of retirement, disability, termination or death, whichever comes first.

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Table III

TOWN OF DAVIE FIREFIGHTERS' PENSION PLAN

Actuarial Assumptions and Actuarial Cost Methods

1. Mortality:

   For healthy participants, the 1983 Group Annuity Mortality Table was used with separate rates for males and females.

   For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

   50% of all pre-retirement deaths are assumed to be duty related.

2. Interest to be Earned by Fund:

   8.5%, compounded annually.

3. Allowances for Expenses or Contingencies:

   Actual expenses paid during previous year, increased by 17.0%.

4. Employee Withdrawal Rates:

   Withdrawal rates were used in accordance with tables per the following illustrative example:

	Withdrawal Rates Per 100 Employees	
Age	Male	Female
20	3.0	3.0
25	2.8	2.8
30	2.5	2.5
35	1.9	1.9
40	1.3	1.3
45	0.8	0.8
50	0.4	0.4
55	0.2	0.2
60	0.1	0.1
65 & over	0.0	0.0

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Table III
(continued two)

5. Disability Rates:

   The 1985 Disability Study - Class 1 with separate male and female rates were used. 80% of disabilities assumed to be service incurred, 20% assumed to be non-service incurred.

6. Salary Increase Factors:

   Current salaries were assumed to increase at a rate of 6.5% per year until retirement.

7. Rates of Retirement:

   100% retirement upon the earlier of completion of 20 years of Credited Service or attainment of age 55 and completion of 10 years of Credited Service.

8. Asset Valuation Method:

   The actuarial value of assets is determined by phasing in the deviations between actual and expected return on assets at the rate of 25% per year. The resulting actuarial value of assets would then be adjusted, if necessary, to be within the corridor of 80% (lower end) to 120% (upper end) of market value of assets.

9. Actuarial Cost Method:

   Normal Retirement, Termination, Disability and Pre-Retirement Death Benefits: Entry-Age-Actuarial Cost Method

   Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his date of hire to his retirement age to fund his estimated benefits, assuming the plan had always been in effect. The normal cost for the plan is the sum of the individual normal costs for all active participants. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of assets of the plan.

10. Marriage Assumptions:

    100% of active participants were assumed married, with husbands three (3) years older than wives.

11. Changes from Most Recent Actuarial Valuation

    None

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