



MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # **277-2010**

RECEIVED

2010 OCT 15 PM 3:19

LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: October 14, 2010

SUBJECT: FY 2009/10 Investment Earnings for City of Miami Beach Pension Plans

This letter provides the preliminary estimates for investment earnings in each of the two City of Miami Beach Pension Plans: the Pension Fund for Firefighters and Police Officers in the City of Miami Beach (Fire and Police Pension) and the Miami Beach Employees Retirement Plan (MBERP).

BACKGROUND

The City of Miami Beach has two defined benefit pension plans for its employees: the Fire and Police Pension Plan provides pension benefits to police officers and fire fighters, while the MBERP provides pension benefits for almost all other employees. A few employees participate in defined contribution 401 Plans (no longer offered to new employees).

The City's contribution requirement to each of the two pension plans is determined annually by the pension plan's actuary and specified in each plan's annual valuation report. The required contribution is determined in accordance with State Statues and is based on various assumptions, including wage data, mortality rates, retirement ages, future salary increases, marriage assumptions, plan expenses, etc. as well as investment performance assumptions.

The market value of the assets of each plan, determined annually on October 1, reflects the value if all the assets of the plan were liquidated on that day. In contrast, the actuarial value of the pension plan assets is equal to the market value of the assets adjusted to reflect a five year phase-in (or smoothing) of any asset experience gain or loss. Only 20% of the experience gain or loss that the fund experiences in any one year is recognized immediately for the purpose of determining the actuarial value of the plan.

The investment performance assumptions in both plans have been slowly adjusted downwards over the last few years. In FY 2009/10, the assumed investment rate of return for the Fire and Police Pension Plan was 8.3% while the assumed rate of return for MBERP was 8.35%, net of investment fee and commissions.

PRELIMINARY INVESTMENT RATE OF RETURN

The following is the preliminary estimated investment rate of return, based on market value, for each of the two pension plans for the fiscal year ending September 30, 2010 as provided by the administrator for each plan.

Fire and Police	10.5%
MBERP	11.2%

The actuarial rate of return will be provided by each plan's actuary as part of the 10/1/10 plan valuation report, typically available in the following spring.

JMG/KGB