

Summary Plan Description

As of September 30, 2006

City of Miami GESE Trust

Issued June, 2007

First Edition

- The City of Miami GESE Trust is a Pension Trust fund of the City of Miami.
- Members contribute ten percent of their compensation.

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Membership

Participation in the GESE Trust is a mandatory condition of employment for all employees except persons eligible to decline membership. Pursuant to the City of Miami Code Section 40-249 and Section 40-250 any regular and permanent employee of the City of Miami (the "City") other than a fire fighter or police officer becomes a member upon employment unless he or she is a member of any other pension or retirement system supported wholly or in part by the City. An employee will cease to be a member if he or she is absent from service for more than three years of any five consecutive year period, withdraws his or her contributions, becomes a member of any other City-sponsored retirement plan or system, or dies. Membership Service is the service as an employee for which contributions to the GESE Trust are made as required.

Contributions

Members contribute ten percent of compensation to the GESE Trust. The City contributes the actuarially determined amount necessary to fund the normal cost plus the amortization of the unfunded accrued liability and non-investment expenses of the GESE Trust.

Payback is a member's contribution to the GESE Trust for creditable service for which other than regular contributions have been made. Contributions required for paybacks shall not be picked up by the City, but may be deducted from a member's contribution. A member may receive credit for qualified military service or medical leave. Any member who takes an unpaid leave of absence for maternity or medical purposes may apply to the Board for membership credit up to a maximum of 180 days, or 240 days if the City denies light duty employment. The payback is available for 30 days after notification to the member and must be fully completed within one year. Contributions made by a member for maternity or medical membership credit may be a single lump-sum payment or equal installment payments which may be deducted from the member's compensation. Contributions will be at the member's current rate of compensation and contribution.

Plan Changes due to New Contracts

The GESE Trust provisions have been revised due to the AFSCME Union contracts approved by the City Commission on March 22, 2007, for Local 1907 and on June 14, 2007 for Local 871.

The revisions are summarized as follows:

- The retroactive salary increase of five percent for the employee's last or highest one year's salary is no longer available. The provision was effective for general employees on March 23, 2007, for executives, managerial/confidential, and unclassified employees on May 1, 2007, and sanitation employees on June 15, 2007.
- The three year buyback of service at retirement will no longer be available. This provision is effective October 1, 2007.
- Maximum participation in the DROP has been increased from three years to four years, with a maximum BACDROP of one year. Members who have not completed their three year DROP on or before September 30, 2007, may extend their participation by an additional year. This provision is effective October 1, 2007.



Normal retirement age is 55.

Your compensation is the basis of the retirement benefit.



A complete pension plan document can be obtained from the pension office.

Benefits

Service Retirement:

The minimum normal service retirement age is 55. Any member in service who has ten or more years of creditable service may elect to retire upon the attainment of normal retirement age. The basic retirement benefit equals three percent of the member's average final compensation multiplied by years of creditable service.

Rule of 70 Retirement:

A member in service who has ten or more years of creditable service may elect a rule of 70

retirement on the basis of his or her combined age and creditable service equaling 70 or more points.

Early Service Retirement Benefit:

A member in service who has 20 or more years of creditable service may elect to retire early with an immediate benefit. The early retirement benefit equals the actuarial equivalent of the basic service retirement benefit that otherwise would have commenced upon the attainment of age 55.

Deferred Vested Retirement Benefit:

A member who ceases to be an employee for reasons other than death or willful misconduct, is not entitled to an immediate benefit, has completed at least ten years of creditable service, and has left his/her accumulated contributions on deposit with the Plan, would be eligible for a deferred vested retirement benefit commencing at age 55.

Compensation Definitions

Average final compensation is the average annual earnable compensation during the greater of the last two years or highest two years of membership service for any member than began employment after May 24, 1984. For any member who became an employee before May 24, 1984, average final compensation is the annual earnable compensation during the greater of the last one year or the highest one year of membership service. However,

the highest one year of annual earnable compensation cannot exceed the second highest year of annual earnable compensation by more than 15 percent, excluding any difference due to longevity, anniversary and/or negotiated cost-of-living increases.

Earnable compensation is an employee's base salary including pick-up contributions, for all straight time hours worked, plus

assignment pay and payments received for vacation and sick leave taken, jury duty, and death-in-family leave taken. Earnable compensation does not include overtime pay, payments for accrued sick leave, accrued vacation leave, or accrued compensatory leave; premium pay for holidays worked, the value of any employment benefits or non-monetary entitlement; or any other form of remuneration.

Key Definitions

Retirement is the member's withdrawal from service with a benefit granted to the member pursuant to the provisions of this Plan.

Spouse is the lawful husband or wife of a member or retiree at the time benefits commence, unless a new designation has been made in writing to the Board.

Service is the active employment as an employee of the City.

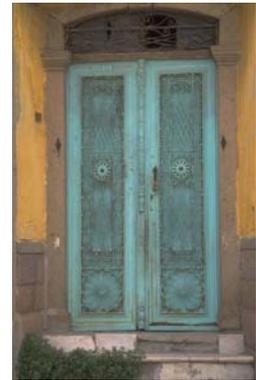
Creditable service is the membership credit upon which a member's eligibility to receive benefits under the retirement plan is based or upon which the amount of such benefits is determined.

Optional Allowances

Option 2 Equal payment survivor annuity - A member may receive a reduced retirement allowance throughout his or her life with an equal sum being paid to the member's designated beneficiary at the death of the member. If this option is chosen for a surviving spouse, the reduction shall be ten percent of the member's benefit. If any person other than a surviving spouse is chosen as the beneficiary, the reduction shall be based on the actuarially equivalent sum.

Option 3 One-half payment survivor annuity - A member may receive a reduced retirement allowance payable for the life of the member with one-half of the member's benefit being paid to a designated beneficiary at the death of the member. If this option is chosen for a surviving spouse, the reduction shall be two percent of the member's benefit. If any person other than a surviving spouse is chosen as the beneficiary, the reduction shall be based on the actuarially equivalent sum.

Option 6(a) One-half payment retiree refund - A member may elect to withdraw the sum of his or her accumulated contributions credited as of the member's date of retirement, excluding all amounts picked up from the member's earnable compensation and credited to the COLA fund, between June 23, 1985, and September 30, 1993. Under this option, the member shall also receive a monthly service retirement allowance of one-half of the amount to which the member would have been entitled under this plan. This option has no survivorship benefit.



A member may receive payment of retirement benefits under the plan in accordance with several choices, or options.

Option 6(b) Life annuity - A member may elect to receive his or her normal monthly service retirement allowance plus an additional five percent of such service retirement allowance for the life of the member, with no survivorship benefit.

Option 6(c) Surviving spouse annuity - A member may elect to receive an unreduced normal monthly service retirement allowance and direct the payment of a benefit of 40 percent of the member's monthly normal retirement allowance to be paid at the member's death to his or her spouse designated by him or her at the time of retirement, such benefit to be payable during the lifetime of such spouse.

Changes in Beneficiary after Retirement

Any member who elects Option 6(c) pursuant to Section 40-255 (j), may designate a new spousal beneficiary in accordance with procedures established by the Board; provided, that an actuarial valuation will be made following such election, and the benefit for the retiree will be recalculated so that it is the actuarial equivalent of the benefit payable to the original spouse; provided, further, that the original spouse must be alive at the time of the change in designated beneficiary, and he or she must not be entitled to any survivor benefit under the retirement plan by operation of law. It is intended that the Trust will pay only one survivor benefit for any

member of the retirement plan and will not incur an increase in benefit costs by reason of change in designated beneficiary.

Selection of an option affects a member's monthly retirement benefit.

Other Provisions

Cost of Living Allowance (COLA) - Every October 1st, each retiree will receive an annual COLA benefit increase between \$54 minimum and \$400 maximum payable monthly after the retiree's first anniversary of retirement has been reached.

For retirees exercising Option 6 (a), each retiree will receive an annual COLA increase between \$27 minimum and \$200 maximum payable monthly.

Restoration of Service Credits Under certain circumstances, a

former member may restore service credits earned under a prior period of service by repaying the amount of the accumulated contributions previously returned to him/her plus interest from the date of refund to the date the buyback begins.



Changes in spousal beneficiary only permitted if option 6 (c) was selected.



Ordinary death benefits are available for a member with at least three years of creditable service.

Death benefits are available as a result of an accident on the job.



Receipt of contributions constitutes a full discharge of all rights under the Plan and any creditable service is waived.

Death Benefits

Ordinary Death Benefit:

Upon receipt by the Board of proper proofs of the death of a member in service who has three or more years of creditable service, there shall be paid to such person, if any, as the member shall have nominated by written designation duly executed and filed with the Board, otherwise to the member's estate, a benefit equal to a lump-sum payment of 50 percent of the earnable compensation received by the member during the year immediately preceding the member's death.

In the event a member who has become eligible for Service, Early Service, or Rule of 70 Retirement benefits dies before retirement, the member will be considered to have been retired on the date of death.

In such event, the member's spouse will have the option of receiving the sum of the member's accumulated contributions together with interest to the date of payment or, if not exercising such option, the spouse will receive:

- (1) Payment of 40 percent of the member's monthly retirement allowance which would have been payable to the member if he or she had attained normal retirement age;
- (2) Payment of a retirement allowance equal to one percent of average final compensation for each year of service or fraction thereof if the member served in a certain executive position for a minimum of three years prior to May 23, 1985 and a maximum of ten years' of service.

Service-Incurred Death

Benefit:

If it can be determined that a member's death was the result of an accident in the performance of duty and not caused by willful negligence on the part of the member based on proof that the death was the natural and proximate result of an accident occurring at some definite time and place while the member was in the actual performance of duty, the member is eligible for a service-incurred death benefit. The amount paid is equal to one-half of the member's average final compensation paid yearly in monthly installments to

the member's spouse. If there is no spouse, or if the spouse dies before the youngest child of the deceased member has attained the age of 18, then the benefit is paid to the children under such age divided in equal shares until they reach 18 years of age or die. If there are no children under the age of 18, then the benefit is paid to the dependent father or dependent mother for life. If there are no such beneficiaries, the amount which otherwise would have been paid as an ordinary death benefit will be paid to the member's estate.

Minimum Retiree Death

Benefit:

If a retired member dies prior to having received 12 monthly retirement payments and prior to having an optional allowance become effective, the designated beneficiary will be paid a lump sum benefit equal to the remaining 12 monthly retirement allowance payments.

Return of Accumulated Benefits

A member who terminates employment other than for retirement or death will be paid his/her accumulated contributions less any mandatory tax withholding upon demand, plus interest at the rate prescribed by the Board which will not be less than one percent per quarter of the contribution balance as of the end of the previous calendar year, including interest. Contributions may be rolled

over directly to a qualified individual retirement account or another employer's plan.

Accumulated employee contributions is the sum of all amounts deducted from a member's compensation, including paybacks and interest.

Re-employment

If a retiree becomes re-employed by the City into a regular permanent full-time position, excluding certain positions, the benefits payable under this plan will be suspended during the period of re-employment. Upon termination of the period of re-employment with the City, the benefits will be automatically restored on the first day of the month following the termination of re-

Disability of Retirees

Ordinary Disability Retirement Benefit:

Any member in service who has ten or more years of creditable service, may be retired by the Board on an ordinary disability retirement allowance; provided, that the physician retained by the Board after a medical examination of such member, shall certify that such a member is mentally or physically totally incapacitated for the further performance of duty not as a result of an accident in the actual performance of duty and is likely to be permanent, and that such member

should be retired.

Upon retirement, for an ordinary disability, a member is entitled to receive a retirement allowance paid in monthly installments of the greater of:

(1) 90 percent of the product of three percent of the member's average final compensation multiplied by the number of years of creditable service; or

(2) 30 percent of the member's average final compensation.

The ordinary disability is not eligible for a return of accumulated contributions, optional allowances or survivorship benefits.



Disability benefits continue for the life of the member. The Board can require a disabled member to submit to a medical examination. If the exam reveals the member is no longer entitled to receive disability benefits, the benefits will cease.

Service-Incurred Disability Benefit:

Any member who becomes totally and permanently incapacitated for duty as a result of tuberculosis, hypertension, or heart disease (which was not an existing condition at the time of employment) would be eligible for an immediate benefit payable for his/her lifetime.

Upon retirement, for a service-incurred disability, a member shall be entitled to receive a retirement allowance paid in monthly installments of the greater of:

(1) 90 percent of the product of three percent of the member's average final compensation multiplied by the number of years of creditable service; or

(2) 40 percent of the member's average final compensation.

This disability is not eligible for a return of accumulated contributions, optional allowances or survivorship benefits.

Accidental Disability Benefit:

A member in service who has become totally and permanently incapacitated for duty as a result of an accident occurring while in the performance of his/her duty would be eligible for an immediate benefit payable for his/her lifetime. Upon death, 40 percent of that benefit would continue to be paid to the surviving spouse for the lifetime of such spouse.

Upon retirement for accidental disability, a member is entitled to receive a pension which is equal to 66 2/3 percent of the greater of the member's average final compensation or the compensation in the year immediately preceding the disability. This disability is not eligible for a return of accumulated contributions or optional allowances.

A disability is the permanent and total incapacity to perform useful and efficient service as an employee of the City.

Excess Benefit Plan

The Excess benefit plan was established effective October 1, 2000, to fund the excess, if any, of the benefit earned under the GESE Trust without taking into account the Internal Revenue Code (IRC) Section 415 limits. Membership consists of mem-

bers of the GESE Trust who exceed the maximum benefit.

There are no member contributions or plan assets. The Excess benefit plan is an unfunded plan with benefits funded from the City's general fund.

The City contributes the actuarially determined amount necessary to fund the excess retirement benefits which reduces the normal pension costs by the same amount.



The City contributes amounts to the Excess Benefit Plan as benefits become payable.



A member who has reached age 55 with ten years of creditable service or who has met the rule of 70 requirement is eligible to participate in the DROP.

Transfer of accumulated leave must be elected not later than the year prior to the year of retirement.

Deferred Retirement Option Program (“DROP”) as of September 30, 2006

Any employee who is eligible for a service or Rule of 70 retirement is eligible to participate in the DROP. Upon election of participation, a member's creditable service, accrued benefits, and compensation calculation are frozen and the DROP payment is based on the member's average final compensation. The member's contribution and the City contribution to the retirement plan for that member ceases as no further service credit is earned. The member does not acquire additional pension credit for the purposes of the pension plan but may continue City employment for up to a maximum of 36 months. Once the maximum participation has been achieved, the participant must terminate employment. There are two DROP programs, the Forward Drop and the BACDROP. A member can participate in both programs simultaneously. The *Forward DROP* is a DROP bene-

fit equal to the regular retirement benefit the member would have received had the member separated from service and commenced the receipt of benefits from the plan. The Trust will deposit monthly retirement benefits into the participant's DROP account established at ICMA. ICMA can be contacted at Icmarc.org or 800-669-7400. The *BACDROP* is a DROP benefit actuarially calculated. A member may elect to BACDROP to a date, no further back than the date of the member's retirement eligibility date. The BACDROP period must be in 12 month increments, beginning at the start of a pay period, not to exceed 36 months.

An individual account is created for each participant. The Board of Trustees of the retirement plan has established, by administrative rule, a series of investment vehicles which may be chosen by the participant. Any losses incurred on account of the option selected by the par-

participant will not be made up by the City or the GESE Trust, and will be borne by the participant only. All interest will be credited to the member's account. Upon termination of employment, a participant may receive payment from the DROP account in a lump sum distribution; or periodic payments. A participant may elect to rollover the balance to another qualified retirement plan, individual retirement account, an Internal Revenue Code Section 457 Plan, or an annuity. A participant may defer payment until the latest date authorized by Section 401 (a)(9) of the Internal Revenue Code. DROP participation will not affect any other death or disability benefit provided under law or applicable collective bargaining agreement. If a participant dies before the account balances are paid out in full, the beneficiary will receive the remaining balance. For updated benefits, see first page.

Transfer of Accumulated Leave

Members eligible to receive accumulated sick leave, accumulated vacation leave or any other accumulated leave payable upon separation may elect, not later than the year prior to the year of retirement, to have the leave transferred to the GESE Trust. Members who fail to elect a transfer in the year prior to retirement or other separation will receive payment from the City in a lump sum at time of separation with all attendant tax consequences.

Members may elect one of the following options within 30 days of separation. Members failing to elect a distribution option within 30 days of separation

will be deemed to have elected Option 1 below:

Option 1 - Receive a lump sum equal to the transferred leave balance, or
Option 2 - Transfer the entire amount of the transferred leave balance directly to any eligible retirement plan, or
Option 3 - Purchase additional service credit as permitted by the Code. If the leave balance exceeds the cost of the service credit purchased, the balance shall be paid to the member in a lump sum.

If a member dies after retirement or other separation, but before any distribution is made,

the election option is void. In such an event, any person who would have received a death benefit had the member died in service immediately prior to the date of retirement or other separation, will be entitled to receive an amount equal to the transferred leave balance in a lump sum. In the case of a surviving spouse or former spouse, an election may be made to transfer the leave balance to an eligible retirement plan in lieu of the lump sum payment. Failure to make such an election by the surviving spouse or former spouse within 60 days of the member's death will be deemed an election to receive a lump sum payment.

GESE Trust Statement of Plan Net Assets

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Cash	\$ 368	\$ 430
Receivables:		
Securities sold	2,521	1,428
Interest & dividends	1,997	1,865
Contributions & other	<u>558</u>	<u>1,547</u>
Total receivables	<u>5,076</u>	<u>4,840</u>
Investments		
Fixed income	160,834	162,653
Equity securities	<u>461,933</u>	<u>420,841</u>
Total	<u>622,767</u>	<u>583,494</u>
Capital Assets	<u>2,834</u>	<u>2,718</u>

Total Assets	631,045	591,482
	<u>2006</u>	
	(in thousands)	
2005		
Liabilities:		
Securities purchased	6,287	3,038
Other liabilities	<u>766</u>	<u>1,003</u>
Total Liabilities	<u>7,053</u>	<u>4,041</u>
Net assets held in Trust for Pension Benefits	<u>\$ 623,992</u>	<u>\$ 587,441</u>

A net increase of \$36.6 million in plan net assets



Our fiscal year end is September 30. The Statements of Plan Net Assets and Changes in Plan Net Assets reflects two years of comparative information.

GESE Trust Statement of Changes in Plan Net Assets

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Additions:		
Contributions		
Employer	\$ 22,018	\$ 19,003
Member	<u>8,022</u>	<u>7,858</u>
Total contributions	<u>30,040</u>	<u>26,861</u>
Reimbursement income	2,426	2,310
Net investment income	<u>56,192</u>	<u>60,458</u>
Total additions	<u>88,658</u>	<u>89,629</u>
Deductions:		
Benefits	48,077	45,927
Refunds	1,753	1,167
Administrative	<u>2,277</u>	<u>1,869</u>

Total deductions	<u>52,107</u>	<u>48,963</u>
Change in net assets	36,551	40,666
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Net assets held in Trust for Pension Benefits:		
Beginning of year	<u>587,441</u>	<u>546,775</u>
End of year	<u>\$ 623,992</u>	<u>\$ 587,441</u>

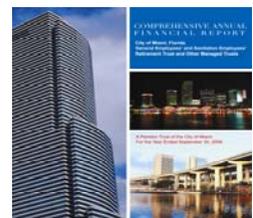
Member contributions remained consistent with 2005. Employer contributions increased \$3 million (or 15.9%) compared to 2005. The amount of employer contributions vary from year to year based on an actuarially determined requirement, while member contributions are equal to 10% of payroll. The equity and fixed

“It is our opinion that the Retirement Trust continues in sound financial condition,” the Trusts’ Actuary.

Select Financial Information

The above financial information is summarized for the GESE Trust and does not include notes or detail. Audited financial statements for the year ended September 30, 2006 are included in the Comprehensive Annual Financial Report located on the Trust’s website at www.gese.org.

The report can be mailed directly to you by writing or calling the pension office at (305) 441-2300.



Visit our website for a full presentation of our financial information.

**CITY OF MIAMI
GENERAL
EMPLOYEES' AND
SANITATION
EMPLOYEES'
RETIREMENT TRUST**

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Sandra Elenberg
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We're on the Web
www.gese.org

DROP Participants

Contact ICMA at:

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Washington, DC 20002

Phone: 800-669-7400
Fax: 202-962-4601

Web: www.icmarc.org
InvestorServices@icmarc.org

The History of the City of Miami GESE Trust

First Edition

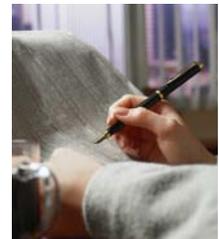
A defined benefit pension trust for all City employees was instituted by City of Miami Ordinance No. 5624, effective July 1, 1956. Pursuant to the final judgment entered on May 23, 1985, in the matter of Leonard Gates, et al vs. City of Miami (the "Gates Agreement"), the City of Miami General Employees' and Sanitation Employees' Retirement Trust was established by Ordinance No. 10002 effective June 13, 1985, to serve permanent employees other than firefighters and police officers. The Gates Agreement separated the GESE Trust from the Firefighters and Police Officers' Trust and set individual pension Board guidelines and funding requirements. GESE members contribute 10% of compensation to the plan. Normal retirement age is 55 years old. Benefits are based on 3% of the average final compensation multiplied by years of creditable service. A nine member Board of Trustees, who are considered fiduciaries, govern the Trusts.

The Board meets at least once every two months as required by City ordinance. Trustees are selected as follows: one trustee selected by the City Manager, two trustees selected by the general employees, two trustees selected by the sanitation employees, and four independent trustees selected by the City Commission from a list from each union of six non-employee nominees. As fiduciaries of the Trusts, the Board performs their duties and responsibilities solely in the interest of members of the retirement plan. In order to achieve their goals, the Board has employed the services of support staff including a pension administrator to perform daily functions. Services provided by support staff include accounting and financial reporting, member and employer contributions processing, retiree benefits calculations, and monthly disbursement of benefits to retirees or beneficiaries. The Board employs the services of a consulting actuary, a custodial bank, an investment consultant and several investment managers. An actuarial valuation for each plan is performed by the actuary on an annual basis to determine the amount of the City's annual contribution.

Summary of GESE Trust Investment Returns as of September 30, 2006

	<u>Annualized</u>		
	<u>2006</u>	<u>3 Yrs</u>	<u>5 Yrs</u>
Equities			
Fund Return – Domestic	10.1	12.2	7.1
Fund Return – International	19.1	22.7	15.7
S & P 500	10.8	12.3	7.0
Dow Jones	10.5	13.3	8.6
Russell Mid-Cap	8.0	16.1	14.4
Russell 2000 - Small Stock	9.9	15.5	13.8
MSCI EAFE - Non US	19.2	22.3	14.3
Fixed Income			
Fund return - Fixed Income	4.1	3.4	4.6
Lehman - Aggregate	3.7	3.4	4.8
Lehman - Mortgage Backed	4.2	3.9	4.5
Lehman - Gvt/Corporate	3.3	3.1	5.0
T-Bills - 90 days	4.5	2.7	2.3
Real Estate			
Fund return - Real Estate	24.3	20.5	15.3
FR NCREIF Index	17.6	16.4	12.4
NAREIT	24.0	24.1	21.5
Total Fund Return	10.4	11.0	7.6
Total Fund Benchmark	9.8	11.4	8.3

For the year ended September 30, 2006, the fund earned an annual return of 10.4%, exceeding the actuarial rate objective.



5 Year Fund Performance

