

**TAB 6**

# Foster & Foster<sup>INC.</sup>

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Actuaries and Consultants

October 28, 2010

CONFIDENTIAL

VIA EMAIL

Karen Simpson  
Finance Director  
City of Palmetto  
General Employees' Retirement System

Re: General Employees' Retirement System  
DROP Updates

Dear Karen:

Per your request, we have determined the individual DROP account balances for each Member currently participating in the DROP as of the quarter ending September 30, 2010. In order to determine the accumulated balances as of that date, we relied upon the information that you provided, including each Member's DROP entry date, monthly benefit amount, and the fixed interest rate of return.

While we were in the process of determining the requested account balances, it came to our attention that the prior actuary provided quarterly DROP updates for each individual Member. Since each Member currently participating in the DROP has selected the fixed interest crediting option, we do not feel this approach is consistent with our current standard for producing a DROP report under the fixed interest election. Therefore, we would like to propose a change in the method for how a DROP Member's accumulated balance is reported.

Instead of producing a quarterly report for each DROP Member, we believe that it would be advantageous to the Plan in a number of ways if a one-time DROP schedule was adopted for purposes of displaying a Member's accumulated DROP account balance under the fixed interest option. Since we know how the DROP account will produce earnings, assuming the effective fixed rate of return does not change, we have the ability to project each Member's monthly accumulated balances throughout the duration of their permissible DROP participation period.

Therefore, when a Member elects to enter into the DROP, they will have the opportunity to look at our schedule and determine the lump sum amount that would be payable for a variety of desired termination dates. It is important to point out that changing to this method would also be very cost effective for the Plan. For a new DROP Member under the current approach, the Plan could have to account for the fees of receiving quarterly updates for up to five years (20 total payments). If the proposed method were adopted, we would require that the same fee amount be paid, except it would simply be a one-time cost.

Ms. Karen Simpson  
October 28, 2010  
Page 2

In order for you to visualize exactly what we are proposing we have enclosed a sample DROP schedule for one of your current participants, beginning with the date the first deposit was made into the DROP account. Please review the enclosure and advise as to how you would like to proceed for determining current and future DROP participant accumulated balances.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Drew D. Ballard". The signature is stylized with a large, looped "D" and "B".

Drew D. Ballard

DDB/lsw  
Enclosure

City of Palmetto General Employees' Retirement System

Notification of DROP Balance  
(Determined as of October 26, 2010)

Member's Name: *Employee's Name*

Monthly Benefit: \$886.43

| <u>Balance Date</u> | <u>Benefit Deposit (1)</u> | <u>Member's<br/>Share of<br/>Earnings</u> | <u>DROP<br/>Balance</u> |
|---------------------|----------------------------|---|-------------------------|
| July 31, 2008       | 886.43                     | 0.00                                      | 886.43                  |
| August 31, 2008     | 886.43                     | 0.00                                      | 1,772.86                |
| September 30, 2008  | 886.43                     | 28.08                                     | 2,687.37                |
| October 31, 2008    | 886.43                     | 0.00                                      | 3,573.80                |
| November 30, 2008   | 886.43                     | 0.00                                      | 4,460.23                |
| December 31, 2008   | 886.43                     | 70.73                                     | 5,417.39                |
| January 31, 2009    | 886.43                     | 0.00                                      | 6,303.82                |
| February 28, 2009   | 886.43                     | 0.00                                      | 7,190.25                |
| March 31, 2009      | 886.43                     | 114.05                                    | 8,190.73                |
| April 30, 2009      | 886.43                     | 0.00                                      | 9,077.16                |
| May 31, 2009        | 886.43                     | 0.00                                      | 9,963.59                |
| June 30, 2009       | 886.43                     | 158.06                                    | 11,008.08               |
| July 31, 2009       | 886.43                     | 0.00                                      | 11,894.51               |
| August 31, 2009     | 886.43                     | 0.00                                      | 12,780.94               |
| September 30, 2009  | 886.43                     | 202.76                                    | 13,870.13               |
| October 31, 2009    | 886.43                     | 0.00                                      | 14,756.56               |
| November 30, 2009   | 886.43                     | 0.00                                      | 15,642.99               |
| December 31, 2009   | 886.43                     | 248.18                                    | 16,777.60               |
| January 31, 2010    | 886.43                     | 0.00                                      | 17,664.03               |
| February 28, 2010   | 886.43                     | 0.00                                      | 18,550.46               |
| March 31, 2010      | 886.43                     | 294.31                                    | 19,731.20               |
| April 30, 2010      | 886.43                     | 0.00                                      | 20,617.63               |
| May 31, 2010        | 886.43                     | 0.00                                      | 21,504.06               |
| June 30, 2010       | 886.43                     | 341.18                                    | 22,731.67               |
| July 31, 2010       | 886.43                     | 0.00                                      | 23,618.10               |
| August 31, 2010     | 886.43                     | 0.00                                      | 24,504.53               |
| September 30, 2010  | 886.43                     | 388.80                                    | 25,779.76               |
| October 31, 2010    | 886.43                     | 0.00                                      | 26,666.19               |
| November 30, 2010   | 886.43                     | 0.00                                      | 27,552.62               |
| December 31, 2010   | 886.43                     | 437.16                                    | 28,876.21               |
| January 31, 2011    | 886.43                     | 0.00                                      | 29,762.64               |
| February 28, 2011   | 886.43                     | 0.00                                      | 30,649.07               |
| March 31, 2011      | 886.43                     | 486.30                                    | 32,021.80               |

**City of Palmetto General Employees' Retirement System**

Notification of DROP Balance  
(Determined as of October 26, 2010)

Member's Name: Employee's Name

Monthly Benefit: \$886.43

| <u>Balance Date</u> | <u>Benefit Deposit (1)</u> | <u>Member's Share of Earnings</u> | <u>DROP Balance</u> |
|---------------------|----------------------------|-----------------------------------|---------------------|
| April 30, 2011      | 886.43                     | 0.00                              | 32,908.23           |
| May 31, 2011        | 886.43                     | 0.00                              | 33,794.66           |
| June 30, 2011       | 886.43                     | 536.21                            | 35,217.30           |
| July 31, 2011       | 886.43                     | 0.00                              | 36,103.73           |
| August 31, 2011     | 886.43                     | 0.00                              | 36,990.16           |
| September 30, 2011  | 886.43                     | 586.92                            | 38,463.51           |
| October 31, 2011    | 886.43                     | 0.00                              | 39,349.94           |
| November 30, 2011   | 886.43                     | 0.00                              | 40,236.37           |
| December 31, 2011   | 886.43                     | 638.43                            | 41,761.23           |
| January 31, 2012    | 886.43                     | 0.00                              | 42,647.66           |
| February 29, 2012   | 886.43                     | 0.00                              | 43,534.09           |
| March 31, 2012      | 886.43                     | 690.76                            | 45,111.28           |
| April 30, 2012      | 886.43                     | 0.00                              | 45,997.71           |
| May 31, 2012        | 886.43                     | 0.00                              | 46,884.14           |
| June 30, 2012       | 886.43                     | 743.92                            | 48,514.49           |
| July 31, 2012       | 886.43                     | 0.00                              | 49,400.92           |
| August 31, 2012     | 886.43                     | 0.00                              | 50,287.35           |
| September 30, 2012  | 886.43                     | 797.92                            | 51,971.70           |
| October 31, 2012    | 886.43                     | 0.00                              | 52,858.13           |
| November 30, 2012   | 886.43                     | 0.00                              | 53,744.56           |
| December 31, 2012   | 886.43                     | 852.79                            | 55,483.78           |
| January 31, 2013    | 886.43                     | 0.00                              | 56,370.21           |
| February 28, 2013   | 886.43                     | 0.00                              | 57,256.64           |
| March 31, 2013      | 886.43                     | 908.52                            | 59,051.59           |
| April 30, 2013      | 886.43                     | 0.00                              | 59,938.02           |
| May 31, 2013        | 886.43                     | 0.00                              | 60,824.45           |
| June 30, 2013       | \$886.43                   | 965.13                            | 62,676.01           |

(1) Deposits are made the first day of the listed month.

Prepared by: 

Reviewed by:   
Foster & Foster, Inc.

# Foster & Foster CONTRACT

- F. Provide updates of quarterly DROP balances, if any, for \$60.00 per member, per quarter for those participants who choose to accrue plan earnings or losses. For those participants who choose to accrue interest, a one time fee of \$60.00 will be charged.
- G. Calculate standard prior service and military buy-back contribution requirements for \$200.00.
- H. Calculate refunds of employee contributions for \$150.00.
- I. Conduct meetings with employee groups to explain plan provisions and answer questions.
- J. Analyze funding trends to predict future contribution requirements.
- K. Prepare the Annual Report to the Department of Management Services for \$2,000.00.

Unless otherwise indicated, the charges for the above work shall be based upon the amount of time required to complete each task. A firm fee quotation prior to commencing any work shall be provided upon request.

The hourly charges shall be:

|                             | <u>Hourly Rate</u> |
|-----------------------------|--------------------|
| Senior Actuarial Consultant | \$300              |
| Actuarial Consultant        | \$250              |
| Actuarial Analyst           | \$200              |
| Administrative/Clerical     | \$100              |

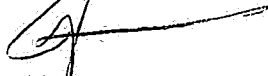
4. In consideration of the satisfactory performance of services and delivery of work products as provided in paragraphs 1 and 2 of this Agreement, the Board agrees to pay the Actuary an annual fee of \$8,000.00 for the October 1, 2010 valuation. This fee shall be increased by five percent (5%) each year thereafter. These fees shall be guaranteed for a period of two (2) years from the date of this Agreement. Travel to and from meetings with the Board will be billed at 1/2 the hourly rate, with a maximum of 8 hours per day, except, there shall be no hourly charge for travel for the meeting to meet with the Board as provided for in paragraph 2. above, but the Actuary shall receive reimbursement for all out-of-pocket expenses for all travel. Travel charges will be divided among any clients visited during a single trip.

Thursday, November 04, 2010

General Employee Pension Plan Board of Trustees  
City of Palmetto  
516 8<sup>th</sup> Ave w  
Palmetto, Florida 34221

To whom it may concern,  
I hereby notify the Board of Trustees that as an appointed position employee of the City of Palmetto under City Ordinance 2010-11, I request to opt out of the City general employee pension plan and desire all my earned retirement funds to be placed in a private retirement account.

Thank you,



Jeff Burton  
Community Redevelopment Director  
City of Palmetto, Florida