

TAB 2

**CITY OF PALMETTO  
POLICE OFFICERS' RETIREMENT PLAN**

**ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2010**

**CONTRIBUTIONS APPLICABLE TO THE CITY'S  
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2012**

May 31, 2011

Board of Trustees  
c/o Ms. Diane Ponder  
City of Palmetto Police Officers' Retirement System  
P. O. Box 1209  
Palmetto, FL 34220

Re: City of Palmetto  
Police Officers' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Palmetto Police Officers' Retirement System. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, financial reports, and asset information supplied by the Board of Trustees, in addition to the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

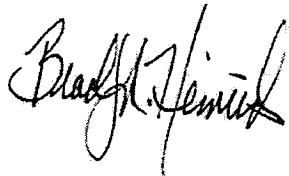
Board of Trustees  
May 31, 2011  
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To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Palmetto, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Palmetto Police Officers' Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.



By: \_\_\_\_\_  
Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #11-6901

BRH/lsw

Enclosures

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SECTION I  
INTRODUCTION

## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan, performed as of October 1, 2010, has been completed, and the results are presented in this Report. The contribution amounts developed in this valuation are applicable to the plan/fiscal year ended September 30, 2012.

The contribution requirements, compared with amounts developed in the October 1, 2009, actuarial valuation (as prepared by Gabriel Roeder Smith & Company), are as follows:

Valuation Date Applicable Plan/Fiscal Yr. End	10/1/2009 <u>9/30/2011</u>	10/1/2010 <u>9/30/2012</u>
Total Required Contribution % of Total Annual Payroll	29.67%	39.50%
Member Contributions % of Total Annual Payroll	5.00%	5.00%
City and State Required Contribution % of Total Annual Payroll	24.67%	34.50%
State Contribution * % of Total Annual Payroll	101,867 6.17%	101,867 6.17%
Balance from City % of Total Annual Payroll	18.50%	28.33%

\* "Frozen" for purposes of determining the minimum City contribution amount. For budgeting purposes, the required Sponsor Contribution (City and State) is 34.50% of Pensionable Earnings for the fiscal year ending September 30, 2012. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$101,867).

\* Additionally, the City has a prepaid contribution of \$30,879 that may be utilized for the fiscal year ending September 30, 2011. This prepaid contribution represents approximately 1.9% of Total Annual Payroll. Please see page 19 for additional details.

During the past year the actuarial experience has been more favorable than expected on the basis of the actuarial assumptions. The primary source of gain is attributable to average increases in pensionable compensation that were less than the assumption by more than 4%. This gain was partially offset by losses incurred due to no employee turnover.

It is important to note that the funding requirements have increased as a percentage of payroll, in spite of the net actuarial gain realized for the year. This is attributable primarily to recommended changes in the Plan's Actuarial Asset methodology and mortality assumption.

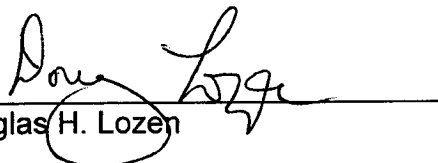
The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board to discuss the Report and answer any questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.



By: \_\_\_\_\_  
Bradley R. Heinrichs, FSA, EA, MAAA



By: \_\_\_\_\_  
Douglas H. Lozen



### Plan Changes Since Prior Valuation

There have been no changes in benefits since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

In conjunction with this valuation of the Plan, the assumed mortality rates have been changed from the 1983 Group Annuity Mortality Table to the RP-2000 Mortality Table (combined healthy with no projection). This change was made in anticipation of increased life expectancies. The impact of this change is outlined in the Comparative Summary of Principal Valuation Results that follows.

Additionally, the Plan's Actuarial Asset Value has been set equal to the Market Value of assets. In future years, investment gains and losses will be phased in over a four year period as illustrated in the following example:

	<u>Recognition Year</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Gain/Loss Year</u>				
2011	25%	50%	75%	100%
2012	--	25%	50%	75%
2013	--	--	25%	50%
2014	--	--	--	25%

The above change is recommended for the purpose of compliance with Actuarial Standard of Practice No. 44 – Selection and Use of Asset Valuation Methods for Pension Valuations.

## Comparative Summary of Principal Valuation Results

	New Method New Assum. <u>10/1/2010</u>	New Method Prior Assum. <u>10/1/2010</u>	Prior Method Prior Assum. <u>10/1/2010</u>	Prior Method Prior Assum. <u>10/1/2009</u>
<b>A. Participant Data</b>				
<b>Number Included</b>				
Actives	34	34	34	34
Service Retirees	20	20	20	18
DROP Retirees	0	0	0	1
Beneficiaries	0	0	0	0
Terminated Vested	3	3	3	4
Disability Retirees	2	2	2	2
<b>Total</b>	<u>59</u>	<u>59</u>	<u>59</u>	<u>59</u>
Total Annual Payroll	1,651,607	1,651,607	1,651,607	1,740,014
Payroll Under Assumed Ret. Age	1,651,607	1,651,607	1,651,607	1,740,014
<b>Annual Rate of Payments to:</b>				
Service Retirees	450,177	450,177	450,177	374,243
DROP Retirees	0	0	0	64,084
Beneficiaries	0	0	0	0
Terminated Vested	50,200	50,200	50,200	64,141
Disability Retirees	25,376	25,376	25,376	25,376
<b>B. Assets</b>				
Actuarial Value	7,370,674	7,370,674	8,814,630	8,174,659
Market Value	7,370,674	7,370,674	7,370,674	6,786,334
<b>C. Liabilities</b>				
<b>Present Value of Benefits</b>				
<b>Active Members</b>				
Retirement Benefits	7,123,544	6,935,638	6,935,638	6,500,243
Disability Benefits	568,525	555,521	555,521	475,097
Death Benefits	105,479	162,156	162,156	126,384
Vested Benefits	373,869	365,158	365,158	255,287
Refund of Contributions	33,638	33,620	33,620	39,054
Service Retirees	4,875,260	4,872,799	4,872,799	4,012,852
DROP Retirees	0	0	0	777,347
Beneficiaries	0	0	0	0
Terminated Vested	413,200	401,996	401,996	465,889
Disability Retirees	227,865	225,224	225,224	232,014
Excess State Reserve	15,707	15,707	15,707	14,829
<b>Total</b>	<u>13,737,087</u>	<u>13,567,819</u>	<u>13,567,819</u>	<u>12,898,996</u>

C. Liabilities - (Continued)	New Method New Assum. <u>10/1/2010</u>	New Method Prior Assum. <u>10/1/2010</u>	Prior Method Prior Assum. <u>10/1/2010</u>	Prior Method Prior Assum. <u>10/1/2009</u>
Present Value of Future Salaries	14,999,535	14,958,070	14,958,070	16,373,542
Present Value of Future Member Cont.	749,977	747,904	747,904	818,677
Normal Cost (Entry Age Normal)				
Retirement Benefits	312,808	304,100	304,100	289,067
Disability Benefits	51,953	50,940	50,940	37,910
Death Benefits	6,212	9,310	9,310	6,689
Vested Benefits	24,193	23,608	23,608	16,025
Refund of Contributions	6,905	6,904	6,904	5,840
Total Normal Cost	<u>402,071</u>	<u>394,862</u>	<u>394,862</u>	<u>355,531</u>
Present Value of Future Normal Costs	3,483,546	3,413,384	3,413,384	3,314,550
Actuarial Accrued Liability				
Retirement Benefits	4,339,746	4,233,891	4,233,891	N/A
Disability Benefits	154,167	150,470	150,470	N/A
Death Benefits	51,404	81,763	81,763	N/A
Vested Benefits	168,233	164,627	164,627	N/A
Refund of Contributions	7,959	7,958	7,958	N/A
Inactives	5,516,325	5,500,019	5,500,019	5,488,102
Total Actuarial Accrued Liability	<u>10,237,834</u>	<u>10,138,728</u>	<u>10,138,729</u>	<u>9,569,617</u>
Unfunded Actuarial Accrued Liability (UAAL)	2,867,160	2,768,054	1,324,098	1,409,787
D. Actuarial Present Value of Accrued Benefits				
Vested Accrued Benefits				
Inactives	5,516,325	5,500,019	5,500,019	5,488,102
Actives	2,189,190	2,141,307	2,141,307	1,934,069
Member Contributions	<u>635,910</u>	<u>635,910</u>	<u>635,910</u>	<u>553,330</u>
Total	8,341,425	8,277,236	8,277,236	7,975,501
Non-vested Accrued Benefits	857,650	841,863	841,863	622,920
Total Present Value Accrued Benefits	<u>9,199,075</u>	<u>9,119,099</u>	<u>9,119,099</u>	<u>8,598,421</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:				
Plan Amendments	0	0	0	
Assumption Changes	79,976	0	0	
New Accrued Benefits	0	0	255,676	
Benefits Paid (net of DROP Lump Sums)	0	0	(406,607)	
Interest	0	0	671,609	
Other	0	0	0	
Total:	<u>79,976</u>	<u>0</u>	<u>520,678</u>	

	New Method New Assum.	New Method Prior Assum.	Prior Method Prior Assum.	Prior Method Prior Assum.
Valuation Date	10/1/2010	10/1/2010	10/1/2010	10/1/2009
Applicable to the Fiscal Year Ending	<u>9/30/2012</u>	<u>9/30/2012</u>	<u>9/30/2012</u>	<u>9/30/2011</u>

## E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll*	25.32	24.86	24.86	21.01
Administrative Expense (with interest) % of Total Annual Payroll*	0.66	0.66	0.66	2.42
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/10) % of Total Annual Payroll*	13.52	12.98	5.09	6.24
Total Required Contribution % of Total Annual Payroll*	39.50	38.50	30.61	29.67
Expected Member Contributions % of Total Annual Payroll*	5.00	5.00	5.00	5.00
Expected City & State Contrib. % of Total Annual Payroll*	34.50	33.50	25.61	24.67

## F. Past Contributions

Plan Years Ending:	<u>9/30/2010</u>
Total Required Contribution	443,621
City and State Requirement	361,041
Actual Contributions Made:	
Members	82,580
State	101,867 **
City	<u>259,174</u>
Total	443,621

G. Actuarial Gain (Loss) 158,194

\* Contributions developed as of 10/1/10 are expressed as a percentage of Total Annual Payroll at 10/1/10 of \$1,651,607

\*\* "Frozen" pursuant to the provisions of Chapter 185, Florida Statutes.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2010	\$2,867,160
2011	2,864,640
2012	2,848,524
2022	2,157,871
2032	391,721
2038	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2010	2.4%	7.9%
Year Ended	9/30/2009	0.9%	7.9%
Year Ended	9/30/2008	5.9%	8.1%

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2010	8.0%	8.00%
Year Ended	9/30/2009	4.1%	8.00%
Year Ended	9/30/2008	-7.7%	8.25%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2010	\$1,651,607
	10/1/2000	1,067,018
(b) Total Increase		54.8%
(c) Number of Years		10.00
(d) Average Annual Rate		4.5%

### Statement by Enrolled Actuary

This actuarial valuation 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.



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Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #11-6901

A copy of this Report is to be furnished to the Division of Retirement within 60 days of receipt from the actuary at the following address:

Patricia Shoemaker  
Municipal Police and Fire  
Pension Trust Funds  
Division of Retirement  
Post Office Box 3010  
Tallahassee, FL 32315-3010

Mr. Keith Brinkman  
Division of Retirement  
Bureau of Local Retirement Systems  
P. O. Box 9000  
Tallahassee, FL 32315-9000

**SECTION II**  
**VALUATION INFORMATION**

## Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2009	\$1,409,787
(2)	City Normal Cost Applicable for the Year	268,530
(3)	Expected Administrative Expenses for the Year	40,439
(4)	Interest on (1), (2), and (3)	135,883
(5)	Sponsor Contributions to the System during the year ending September 30, 2010	361,041
(6)	Interest on (5)	11,305
(7)	Expected Unfunded Accrued Liability as of October 1, 2010 (1)+(2)+(3)+(4)-(5)-(6)	1,482,293
(8)	New UAAL due to Experience (Gain)/Loss	(158,194)
(9)	New UAAL due to Change in Mortality Assumption	99,105
(10)	New UAAL due to Asset Fresh Start	1,443,956
(11)	UAAL as of October 1, 2010	2,867,160

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2010 Amount</u>	<u>Amortization Amount</u>
UAAL	10/1/1987	7	5,480	975
Amendment	10/1/1989	9	68,613	10,170
Assumption Change	10/1/1990	10	(84,012)	(11,593)
Method Change	10/1/1991	11	47,580	6,171
Amendment	10/1/1991	11	16,544	2,146
Method Change	10/1/1992	12	29,746	3,655
Assumption Change	10/1/1994	14	31,731	3,564
Assumption Change	10/1/1995	15	(19,421)	(2,101)
Amendment	10/1/1995	15	(168,230)	(18,198)
Experience Gain	10/1/1996	1	(12,402)	(12,402)
Experience Gain	10/1/1997	2	(22,560)	(11,714)
Assumption Change	10/1/1998	18	(208,072)	(20,557)
Amendment	10/1/1998	18	337,529	33,347
Experience Gain	10/1/1998	3	(26,321)	(9,457)
Experience Gain	10/1/1999	4	(35,205)	(9,842)
Experience Gain	10/1/2000	5	(74,912)	(17,372)
Experience Gain	10/1/2001	6	(3,944)	(790)
Experience Loss	10/1/2002	7	170,274	30,282
Amendment	10/1/2002	22	14,432	1,310
Experience Gain	10/1/2003	8	(36,296)	(5,848)
Assumption Change	10/1/2003	23	(25,472)	(2,274)



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(11)	UAAL as of October 1, 2010	2,867,160

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2010 Amount</u>	<u>Amortization Amount</u>
Experience Loss	10/1/2004	9	21,343	3,164
Experience Gain	10/1/2005	10	(153,540)	(21,187)
Assumption Change	10/1/2005	25	119,123	10,333
Experience Loss	10/1/2006	11	52,557	6,817
Amendment	10/1/2006	26	148,842	12,749
Experience Gain	10/1/2007	12	(124,360)	(15,280)
Assumption Change	10/1/2008	28	(484,969)	(40,634)
Experience Loss	10/1/2008	23	1,664,964	148,648
Experience Loss	10/1/2009	24	233,251	20,513
Experience Gain	10/1/2010	25	(158,194)	(13,722)
Assumption Change	10/1/2010	25	99,105	8,596
Method Change	10/1/2010	25	1,443,956	125,248
			<u>2,867,160</u>	<u>214,717</u>

## ACTUARIAL ASSUMPTIONS AND COST METHOD

### Assumptions

#### Mortality Rates

**Current:** RP2000 Combined Healthy with no projection, sex distinct. Disabled lives are set forward five years.

**Prior:** 1983 Group Annuity Mortality, sex distinct. Disabled lives are set forward five years.

#### Interest Rate

8.0% per year compounded annually, net of investment related expenses.

#### Normal Retirement Age

Number of Years after First Eligibility for <u>Normal Retirement</u>	<u>Probability of Retirement</u>
0	80%
1-4	40%
5	100%

#### Early Retirement Rate

5% for each eligible year.

#### Salary Increases

<u>Years of Service</u>	<u>Rates</u>
Less than 10	9.4%
11-15	6.0%
16-20	6.5%
21 or more	4.0%

#### Terminal Leave Pay

<u>Present Value of Liability</u>	<u>Percentage Increase to Liability</u>
Normal Retirement	4.5%
Early Retirement	4.5%
Vesting	4.5%
Death	4.5%
Disability	4.5%
Refund of Contributions	0.0%

ACTUARIAL ASSUMPTIONS AND COST METHOD  
(continued)

<u>Cost of Living Adjustments</u>	None.
<u>Payroll Increases</u>	None.
<u>Administrative Expenses</u>	\$10,545
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method

<u>Termination Rates</u>	<u>Age</u>	<u>Rates</u>
	25	5.7%
	30	5.0%
	35	3.8%
	40	2.6%
	45	1.6%
	50	0.8%

<u>Disability Rates</u>	<u>Age</u>	<u>Probability of Disability</u>
	25	0.15%
	30	0.18%
	35	0.23%
	40	0.30%
	45	0.51%
	50	1.00%

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the valuation year of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

## EXCESS STATE MONIES RESERVE

	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Addition to Excess State Monies Reserve</u>
1998	\$59,560.23	\$59,560.23	\$0.00
1999	57,050.17	59,560.23	0.00
2000	64,923.90	59,560.23	5,363.67
2001	64,608.10	59,560.23	5,047.87
2002	74,901.71	59,560.23	15,341.48
2003	99,422.54	59,560.23	39,862.31
2004	103,045.19	59,560.23	43,484.96
2005	108,732.34	59,560.23	49,172.11
2006	110,320.22	59,560.23	50,759.99
2007	108,732.34	101,867.23	6,865.11
2008	108,732.34	101,867.23	6,865.11
2009	102,966.30	101,867.23	1,099.07
2010	102,744.94	101,867.23	<u>877.71</u>
Total			224,739.39
Reserve used for benefits in Ord. 06-901			<u>(209,032.39)</u>
Total State Monies Reserve			15,707.00

**SECTION III**  
**TRUST FUND**

City of Palmetto  
Police Officers' Retirement Plan

15

BALANCE SHEET  
September 30, 2010

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Pooled Cash	200.00	200.00
Money Market	173,484.32	173,484.32
<b>Total Cash and Equivalents</b>	<b>173,684.32</b>	<b>173,684.32</b>
Receivable:		
Member Contributions in Transit	8,097.31	8,097.31
City Contributions in Transit	13,740.87	13,740.87
Overpayment of Retirement Benefits	17,918.64	17,918.64
Accrued Income	28,681.19	28,681.19
<b>Total Receivable</b>	<b>68,438.01</b>	<b>68,438.01</b>
Investments:		
U S Govt/Govt Sponsored/Agency	1,294,589.65	1,369,413.51
Corporate and Foreign Bonds	1,236,947.85	1,331,065.95
Corporate Stocks/REITs	3,463,142.32	3,871,025.34
Municipal Obligations	80,000.00	84,101.00
Mutual Funds:		
Equity	691,855.23	503,940.00
<b>Total Investments</b>	<b>6,766,535.05</b>	<b>7,159,545.80</b>
<b>TOTAL ASSETS</b>	<b>7,008,657.38</b>	<b>7,401,668.13</b>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Unpaid Administrative Expenses	115.97	115.97
Prepaid City Contribution	30,878.52	30,878.52
<b>Total Liabilities</b>	<b>30,994.49</b>	<b>30,994.49</b>
Net Assets:		
Active and Retired Members' Equity	6,977,662.89	7,370,673.64
DROP Plan Benefits	0.00	0.00
<b>Total Net Assets</b>	<b>6,977,662.89</b>	<b>7,370,673.64</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>7,008,657.38</b>	<b>7,401,668.13</b>

City of Palmetto  
Police Officers' Retirement Plan

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2010  
Market Value Basis

INCOME	
Contributions:	
Member	82,580.25
City	259,173.62
Additional City Contributions for Prior Year	16,898.29
State	102,744.94
 Total Contributions	 461,397.10
Earnings from Investments	
Interest & Dividends	186,100.33
Net Realized Gain (Loss)	174,865.59
Unrealized Gain (Loss)	287,716.08
 Total Earnings and Investment Gains	 648,682.00
EXPENSES	
Administrative Expenses:	
Investment Related*	63,158.00
Other	10,545.34
 Total Expenses	 73,703.34
Distributions to Members:	
Benefit Payments	403,632.18
Lump Sum DROP Balances	129,551.99
Termination Payments	0.00
 Total Distributions	 533,184.17
 DROP Account Net Change	 (66,318.54)
 Change in Net Assets for the Year	 569,510.13
 Net Assets Beginning of the Year	 6,801,163.51
 Net Assets End of the Year	 7,370,673.64

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.



City of Palmetto  
Police Officers' Retirement Plan  
ACTUARIAL VALUE OF ASSETS

	September 30, 2010	September 30, 2009
A. Last Year's Actuarial Value of Assets	8,240,978	7,992,974
B. Contributions	461,397	378,415
C. Disbursements *	543,730	457,989
D. Time Weighted Cash Flow: 1/2(B-C)	(41,166)	(39,787)
E. Expected Investment Return: 0.08*(A+D)	655,985	636,255
F. Expected Actuarial Value of Assets: A+B+C+E	8,814,630	8,549,655
G. Market Value	7,370,674	6,867,482
H. Percentage: F/G	119.6%	124.5%
I. Actuarial Value (within 20% of Market)	8,814,630	8,240,978
J. Less: DROP Account Balance	0	66,319
<b>K. Final Actuarial Value of Assets</b>	<b>8,814,630</b>	<b>8,174,660</b>
* Net of Investment Related Expenses		

Investment earnings recognized in the Actuarial Value of Assets is computed as follows:

8,814,630	Actuarial Value this year
8,240,978	Actuarial Value last year
461,397	Contributions during year
<u>543,730</u>	Expenses during year
655,985	Net Return Recognized

(I) Net Investment Income:

1. Interest and Dividends	186,100
2. Realized Gains (Losses)	174,866
2. Change in Actuarial Value	358,177
3. Investment Expenses	<u>(63,158)</u>
	655,985

Actuarial Asset Rate of Return = 2I/(A+G-I): 8.00%

**CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
September 30, 2010  
Actuarial Asset Basis

**INCOME**

Contributions:		
Member	82,580.25	
City	259,173.62	
Additional City Contributions for Prior Year	16,898.29	
State	102,744.94	
<b>Total Contributions</b>		<b>461,397.10</b>
Earnings from Investments		
Interest & Dividends	186,100.33	
Net Realized Gain (Loss)	174,865.59	
Change in Actuarial Value	358,176.99	
<b>Total Earnings and Investment Gains</b>		<b>719,142.91</b>
<b>EXPENSES</b>		
Administrative Expenses:		
Investment Related*	63,158.00	
Other	10,545.34	
<b>Total Administrative Expenses</b>		<b>73,703.34</b>
Distributions to Members:		
Benefit Payments	403,632.18	
Lump Sum DROP Balances	129,551.99	
Termination Payments	0.00	
<b>Total Distributions</b>		<b>533,184.17</b>
<b>DROP Account Net Change</b>		<b>(66,318.54)</b>
<b>Change in Net Assets for the Year</b>		<b>639,971.04</b>
<b>Net Assets Beginning of the Year</b>		<b>8,174,659.00</b>
<b>Net Assets End of the Year**</b>		<b>8,814,630.04</b>

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

\*\*Net Assets may be limited for actuarial consideration

<p>City of Palmetto Police Officers' Retirement System</p>
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Reconciliation of City's Prepaid Contribution for the  
Fiscal Year Ended (FYE) September 30, 2010

(1) City and State Required Contribution Rate (from the October 1, 2008 Actuarial Valuation Report)	21.86%
(2) Pensionable Payroll Derived from Member Contributions	\$1,651,605.00
(3) Required City and State Contribution (Item 1 times Item 2)	361,040.85
(4) Less "Frozen" State Contribution	<u>(101,867.23)</u>
(5) Equals Required City Contribution	259,173.62
(6) Less Actual City Contributions	<u>(290,052.14)</u>
(7) Equals City's Prepaid Contribution as of September 30, 2010	\$30,878.52



**SECTION IV**  
**MEMBER STATISTICS**

ELIGIBILITY FOR RETIREMENT

Members are eligible for Normal Retirement based upon the following criteria:

- 1) Attained Age 55 with 10 Years of Credited Service
- or 2) 23 Years of Credited Service, regardless of Age.

Members are eligible for Early Retirement based upon the following criteria:

- 1) Attained Age 50 with 10 Years of Credited Service.

As of the date of this valuation, the following list of Members are eligible for:

<u>Normal Retirement</u>	<u>Early Retirement</u>
None	HANNAFORD, Rex LAGASSEE JR, George

## STATISTICAL DATA

	<u>10/1/2007</u>	<u>10/1/2008</u>	<u>10/1/2009</u>	<u>10/1/2010</u>
Actives	34	36	34	34
Average Current Age	38.9	38.8	38.5	39.5
Average Age at Employment	30.3	30.9	29.9	29.8
Average Past Service	8.6	7.9	8.6	9.7
Average Annual Salary	\$52,293	\$52,235	\$51,177	\$48,577

## AGE AND SERVICE DISTRIBUTION

## PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	3	2	2	0	0	0	0	0	7
30 - 34	0	0	1	0	0	2	1	0	0	0	0	4
35 - 39	0	0	0	0	1	4	0	0	0	0	0	5
40 - 44	0	0	1	1	0	0	3	1	0	0	0	6
45 - 49	0	0	0	0	0	2	0	2	2	0	0	6
50 - 54	0	0	1	0	0	1	1	0	2	0	0	5
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	1	0	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	3	4	3	12	5	3	4	0	0	34



## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/10	34
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	0
g. Voluntary withdrawal	0
h. Continuing participants	34
i. New entrants	0
j. Total active life participants in valuation	34

## 2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>DROP</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	18	0	2	1	4	25
b. In	2	0	0	0	0	2
c. Out	0	0	0	1	1	2
d. Number current valuation	20	0	2	0	3	25

**SECTION V**  
**SUMMARY OF PLAN PROVISIONS**

**SUMMARY OF PLAN PROVISIONS**  
(Through Ordinance No. 09-998)

<u>Eligibility</u>	Full-time employees who are classified as Police Officers participate as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer.
<u>Salary</u>	Gross Compensation reportable on the Member's W-2 form, including overtime, bonuses, lump sum payments of unused sick and vacation time, plus all tax deferred, tax sheltered or tax exempt items of income derived from elective employee payroll deductions or salary reductions.
<u>Average Final Compensation</u>	Average Salary for the 5 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age.
Benefit	3.0% of Average Final Compensation for each year of Credited Service.
Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 50 with 10 years of Credited Service.

Early Retirement (continued)

Benefit	Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.
---------	--

Vesting

Schedule	100% after 10 years of Credited Service.
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Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.
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Disability

Eligibility	Covered from Date of Employment.
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Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.
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Benefit	
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Service Incurred	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.
------------------	---

Non-Service Incurred	
----------------------	--

10 or More Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.
--------------------------------------	---

Less than 10, but at Least 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.
--	---

Less Than 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement.
---------------------------------------	--

Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
-----------------	---

Disability (continued)

Duration	Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.
----------	--

Death Benefits

10 or more years of Credited Service	Monthly accrued benefit payable to designated beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.
--------------------------------------	--

Less than 10 years of Credited Service	Refund of accumulated Member contributions.
--	---

Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.
-----------------	---

Deferred Retirement Option Plan (DROP)

Eligibility	Satisfaction of Normal Retirement requirements.
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Participation	Not to exceed 60 months from the date of first eligibility for Normal Retirement.
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Rate of Return	At Member's election, either: a) 6.5% effective annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.
----------------	--

Distribution	Cash lump sum (options available) at termination of employment.
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**SECTION VI**

**GOVERNMENTAL ACCOUNTING STANDARDS  
BOARD DISCLOSURE INFORMATION**

**DISCLOSE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/10	7,370,674	10,237,834	2,867,160	71.99%	1,651,607	173.60%
10/01/09	8,159,830	9,569,617	1,409,787	85.27%	1,740,014	81.02%
10/01/08	7,979,244	9,059,310	1,080,066	88.08%	1,880,450	57.44%
10/01/07	7,982,635	7,968,530	(14,105)	100.18%	1,777,974	-0.79%
10/01/06	7,485,240	7,616,584	131,344	98.28%	1,653,654	7.94%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2010	361,041	259,174	101,867 *	100.00%
2009	281,987	186,422	101,867 *	102.23%
2008	260,206	158,984	101,867 *	100.25%
2007	167,449	111,600	101,867 *	127.48%
2006	192,788	143,827	59,560 *	105.50%

\* Frozen per Chapters 175 and 185, Florida Statutes, as amended.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/10

City	16.65%
Plan Members	5.00%
Actuarially Determined Contribution	259,174
Contributions made	259,174
Actuarial valuation date	10/1/2008
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	28 Years (as of 10/1/2010)
Asset valuation method	Market Value as of 10/1/2010
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increase*	4.0%-9.4%
* Includes inflation at	4.0%
Post Retirement COLA	none

THREE YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	263,470	98.37%	(184,584)
9/30/2009	285,759	100.89%	(188,880)
9/30/2008	265,317	98.32%	(186,350)



DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/10</u>
Actuarially Determined			
Contribution (A)	260,206	281,987	259,174
Interest on NPO	(15,742)	(15,374)	(15,110)
Adjustment to (A)	20,853	19,146	19,406
	-----	-----	-----
Annual Pension Cost	265,317	285,759	263,470
Contributions Made	260,851	288,289	259,174
	-----	-----	-----
Increase in NPO	4,466	(2,530)	4,296
NPO Beginning of Year	(190,816)	(186,350)	(188,880)
	-----	-----	-----
NPO End of Year	(186,350)	(188,880)	(184,584)