

**TAB 2**

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

**ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2011  
(Revised May 22, 2012)**

**CONTRIBUTIONS APPLICABLE TO THE CITY'S  
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2013**



May 22, 2012

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

Re: City of Palmetto  
Police Officers' Retirement Plan

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 Plan. 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 22, 2012  
Page Two

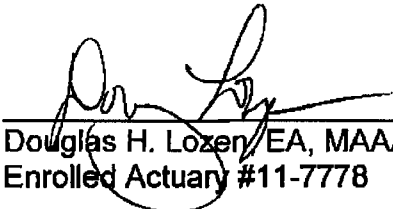
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Palmetto, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Palmetto Police Officers' Retirement Plan. 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:

  
\_\_\_\_\_  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #11-7778

DHL/mjg

Enclosures

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**SECTION I**  
**INTRODUCTION**

## SUMMARY OF REPORT

The revised annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan, performed as of October 1, 2011, 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, 2013.

The contribution requirements, compared with amounts developed in the October 1, 2010, actuarial valuation, are as follows:

Valuation Date Applicable Plan/Fiscal Yr. End	<u>10/1/2010</u> <u>9/30/2012</u>	<u>10/1/2011</u> <u>9/30/2013</u>
Total Required Contribution % of Total Annual Payroll	33.59%	37.26%
Member Contributions % of Total Annual Payroll	5.00%	5.00%
City and State Required Contribution % of Total Annual Payroll	28.59%	32.26%
State Contribution * % of Total Annual Payroll	101,867 6.76%	101,867 6.76%
Balance from City % of Total Annual Payroll	21.83%	25.50%

\* "Frozen" for purposes of determining the minimum City contribution amount. For budgeting purposes, the required Sponsor Contribution (City and State) is 32.26% of Pensionable Earnings for the fiscal year ending September 30, 2013. 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 \$42,027 that may be utilized for the fiscal year ending September 30, 2012. This prepaid contribution represents approximately 2.8% 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 sources of gain included average increases in pensionable compensation that were less than the assumption by more than 10% and greater than expected employee turnover. These gains were partially offset by a 1.6% net-of-fees investment return (Actuarial Asset Basis), falling short of the 8.0% assumption, and no Retiree mortality.

In spite of the net actuarial gain for the year, the City's funding rate has increased due to the 8.8% decrease in Total Annual Payroll. This decrease in payroll has the effect of increasing the cost of servicing the UAAL, when expressed as a percentage of payroll.

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:

  
Douglas H. Lozen, EA, MAAA

By:

  
Drew D. Ballard



**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, the investment return assumption has been decreased from 8.0% to 7.9% per year compounded annually, net of investment related expenses. Please note the Board has approved to lower the investment return assumption by 0.1% each year until the assumption reaches 7.5%.

## Comparative Summary of Principal Valuation Results

	New Assums <u>10/1/2011</u>	Old Assums <u>10/1/2011</u>	Old Assums <u>10/1/2010</u>
<b>A. Participant Data</b>			
<b>Number Included</b>			
Actives	33	33	34
Service Retirees	21	21	20
DROP Retirees	1	1	0
Beneficiaries	0	0	0
Terminated Vested	3	3	3
Disability Retirees	2	2	2
<b>Total</b>	<u>60</u>	<u>60</u>	<u>59</u>
Total Annual Payroll	1,505,965	1,505,965	1,651,607
Payroll Under Assumed Ret. Age	1,505,965	1,505,965	1,651,607
<b>Annual Rate of Payments to:</b>			
Service Retirees	464,122	464,122	450,177
DROP Retirees	53,350	53,350	0
Beneficiaries	0	0	0
Terminated Vested	46,788	46,788	50,200
Disability Retirees	25,376	25,376	25,376
<b>B. Assets</b>			
Actuarial Value	8,541,139	8,541,139	8,453,641
Market Value	7,532,771	7,532,771	7,370,674
<b>C. Liabilities</b>			
<b>Present Value of Benefits</b>			
<b>Active Members</b>			
Retirement Benefits	6,542,618	6,428,852	7,123,544
Disability Benefits	556,557	548,581	568,525
Death Benefits	98,840	97,197	105,479
Vested Benefits	320,942	313,702	373,869
Refund of Contributions	31,656	31,586	33,638
Service Retirees	5,025,184	4,983,310	4,875,260
DROP Retirees	598,145	592,947	0
Beneficiaries	0	0	0
Terminated Vested	311,550	306,913	413,200
Disability Retirees	223,847	222,429	227,865
Excess State Reserve	16,268	16,268	15,707
<b>Total</b>	<u>13,725,607</u>	<u>13,541,785</u>	<u>13,737,087</u>

C. Liabilities - (Continued)	New Assums <u>10/1/2011</u>	Old Assums <u>10/1/2011</u>	Old Assums <u>10/1/2010</u>
Present Value of Future Salaries	13,842,592	13,764,373	14,999,535
Present Value of Future Member Cont.	692,130	688,219	749,977
Normal Cost (Entry Age Normal)			
Retirement Benefits	299,085	293,348	312,808
Disability Benefits	53,253	52,678	51,953
Death Benefits	5,956	5,861	6,212
Vested Benefits	22,263	21,774	24,193
Refund of Contributions	6,604	6,597	6,905
Total Normal Cost	<u>387,161</u>	<u>380,258</u>	<u>402,071</u>
Present Value of Future Normal Costs	3,347,841	3,267,907	3,483,546
Actuarial Accrued Liability			
Retirement Benefits	3,876,654	3,829,688	4,339,746
Disability Benefits	135,390	134,253	154,167
Death Benefits	46,165	45,674	51,404
Vested Benefits	138,288	136,115	168,233
Refund of Contributions	6,273	6,281	7,959
Inactives	6,158,726	6,105,599	5,516,325
State Excess Reserve	16,268		15,707
Total Actuarial Accrued Liability	<u>10,377,764</u>	<u>10,257,610</u>	<u>10,253,541</u>
Unfunded Actuarial Accrued Liability (UAAL)	1,836,627	1,732,739	1,784,193
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	6,158,726	6,105,599	5,516,325
Actives	2,150,876	2,116,396	2,189,190
Member Contributions	621,184	621,184	635,910
Total	<u>8,930,786</u>	<u>8,843,179</u>	<u>8,341,425</u>
Non-vested Accrued Benefits	713,134	701,883	857,650
Total Present Value Accrued Benefits	<u>9,643,920</u>	<u>9,545,062</u>	<u>9,199,075</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	98,858	0	
New Accrued Benefits	0	138,591	
Benefits Paid (net of DROP Lump Sums)	0	(508,202)	
Interest	0	715,598	
Other	0	0	
Total:	<u>98,858</u>	<u>345,987</u>	

Valuation Date Applicable to the Fiscal Year Ending	New Assums 10/1/2011 <u>9/30/2013</u>	Old Assums 10/1/2011 <u>9/30/2013</u>	Old Assums 10/1/2010 <u>9/30/2012</u>
<b>E. Pension Cost</b>			
Normal Cost (with interest) % of Total Annual Payroll*	26.72	26.26	25.32
Administrative Expense (with interest) % of Total Annual Payroll*	1.25	1.25	0.66
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/11) % of Total Annual Payroll*	9.29	8.75	7.61
Total Required Contribution % of Total Annual Payroll*	37.26	36.26	33.59
Expected Member Contributions % of Total Annual Payroll*	5.00	5.00	5.00
Expected City & State Contrib. % of Total Annual Payroll*	32.26	31.26	28.59

**F. Past Contributions**

Plan Years Ending:	<u>9/30/2011</u>
Total Required Contribution	478,937
City and State Requirement	398,227
Actual Contributions Made:	
Members	80,711
State	101,867 **
City	296,359
Total	<u>478,937</u>

G. Actuarial Gain (Loss)      138,043

\* Contributions developed as of 10/1/11 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/11 of \$1,505,965

\*\* "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>
2011	\$1,836,627
2012	1,836,560
2013	1,823,325
2023	1,392,762
2033	(58,867)
2038	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2011	-2.5%	8.0%
Year Ended	9/30/2010	2.4%	7.9%
Year Ended	9/30/2009	0.9%	7.9%

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


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2011	1.6%	8.00%
Year Ended	9/30/2010	3.6%	8.00%
Year Ended	9/30/2009	4.1%	8.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2011	\$1,505,965
	10/1/2001	1,163,233
(b) Total Increase		29.5%
(c) Number of Years		10.00
(d) Average Annual Rate		2.6%

**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.

 5/22/2012  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #11-7778

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, 2010	\$1,784,193
(2)	City Normal Cost Applicable for the Year	319,491
(3)	Expected Administrative Expenses for the Year	10,545
(4)	Interest on (1), (2), and (3)	168,717
(5)	Sponsor Contributions to the System during the year ending September 30, 2011	398,226
(6)	Interest on (5)	13,938
(7)	Expected Unfunded Accrued Liability as of October 1, 2011 (1)+(2)+(3)+(4)-(5)-(6)	1,870,782
(8)	New UAAL due to Experience (Gain)/Loss	(138,043)
(9)	Increase in UAAL due to Assumption Change	103,888
(10)	UAAL as of October 1, 2011	1,836,627

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2011 Amount</u>	<u>Amortization Amount</u>
UAAL	10/1/1987	6	5,066	1,013
Amendment	10/1/1989	8	65,728	10,560
Assumption Change	10/1/1990	9	(81,448)	(12,033)
Method Change	10/1/1991	10	46,572	6,403
Amendment	10/1/1991	10	16,193	2,226
Method Change	10/1/1992	11	29,343	3,791
Assumption Change	10/1/1994	13	31,678	3,694
Assumption Change	10/1/1995	14	(19,480)	(2,177)
Amendment	10/1/1995	14	(168,737)	(18,859)
Experience Gain	10/1/1997	1	(12,198)	(12,198)
Assumption Change	10/1/1998	17	(210,892)	(21,285)
Amendment	10/1/1998	17	342,104	34,527
Experience Gain	10/1/1998	2	(18,966)	(9,843)
Experience Gain	10/1/1999	3	(28,525)	(10,240)
Experience Gain	10/1/2000	4	(64,713)	(18,067)
Experience Gain	10/1/2001	5	(3,547)	(821)
Experience Loss	10/1/2002	6	157,444	31,468
Amendment	10/1/2002	21	14,758	1,355
Experience Gain	10/1/2003	7	(34,244)	(6,075)
Assumption Change	10/1/2003	22	(26,090)	(2,352)
Experience Loss	10/1/2004	8	20,445	3,285
Experience Gain	10/1/2005	9	(148,853)	(21,992)
Assumption Change	10/1/2005	24	122,352	10,680



**Reconciliation of Unfunded Actuarial Accrued Liabilities**

(1) Unfunded Actuarial Accrued Liability as of October 1, 2010	\$1,784,193
(2) City Normal Cost Applicable for the Year	319,491
(3) Expected Administrative Expenses for the Year	10,545
(4) Interest on (1), (2), and (3)	168,717
(5) Sponsor Contributions to the System during the year ending September 30, 2011	398,226
(6) Interest on (5)	13,938
(7) Expected Unfunded Accrued Liability as of October 1, 2011 (1)+(2)+(3)+(4)-(5)-(6)	1,870,782
(8) New UAAL due to Experience (Gain)/Loss	(138,043)
(9) Increase in UAAL due to Assumption Change	103,888
(10) UAAL as of October 1, 2011	1,836,627

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2011 Amount</u>	<u>Amortization Amount</u>
Experience Loss	10/1/2006	10	51,442	7,073
Amendment	10/1/2006	25	153,059	13,175
Experience Gain	10/1/2007	11	(122,678)	(15,849)
Assumption Change	10/1/2008	27	(499,729)	(41,976)
Experience Loss	10/1/2008	22	1,705,352	153,716
Experience Loss	10/1/2009	23	239,259	21,207
Experience Gain	10/1/2010	24	(162,483)	(14,183)
Assumption Change	10/1/2010	24	101,793	8,886
Method Change	10/1/2010	24	370,777	32,366
Experience Gain	10/1/2011	25	(138,043)	(11,883)
Assumption Change	10/1/2011	25	103,888	8,943
			<u>1,836,627</u>	<u>134,535</u>

## ACTUARIAL ASSUMPTIONS AND COST METHOD

### Assumptions

Mortality Rates                      RP2000 Combined Healthy with no projection, sex distinct. Disabled lives are set forward five years.

Interest Rate                        7.9% (previously 8.0%) per year compounded annually, net of investment related expenses.

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

Early Retirement Rate              5% for each eligible year.

<u>Salary Increases</u>	<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(Prior to Impact Statement)

<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%

Cost of Living Adjustments              None.

Payroll Increases                        None.

Administrative Expenses                \$18,047

ACTUARIAL ASSUMPTIONS AND COST METHOD  
(continued)

Funding Method

Entry Age Normal Actuarial Cost Method

Termination Rates

Age

Rates

25	5.7%
30	5.0%
35	3.8%
40	2.6%
45	1.6%
50	0.8%

Disability Rates

Age

Probability of  
Disability

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	877.71
2011	102,428.40	101,867.23	<u>561.17</u>
Total			225,300.56
Reserve used for benefits in Ord. 06-901			<u>(209,032.39)</u>
Total State Monies Reserve			16,268.17

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

City of Palmetto  
Police Officers' Retirement Plan

BALANCE SHEET  
September 30, 2011

<u>ASSETS</u>	COST VALUE	MARKET VALUE
<b>Cash and Cash Equivalents:</b>		
Pooled Cash	600.00	600.00
Money Market	481,556.69	481,556.69
<b>Total Cash and Equivalents</b>	<b>482,156.69</b>	<b>482,156.69</b>
<b>Receivable:</b>		
Member Contributions in Transit	2,979.63	2,979.63
City Contributions in Transit	11,352.45	11,352.45
Overpayment of Retirement Benefits	15,318.64	15,318.64
Accrued Income	29,805.21	29,805.21
<b>Total Receivable</b>	<b>59,455.93</b>	<b>59,455.93</b>
<b>Investments:</b>		
U S Govt/Govt Sponsored/Agency	1,250,289.19	1,336,274.27
Corporate Bonds/CMOs/REMICs	1,318,740.25	1,381,040.95
Corporate Stocks/REITs	2,929,140.94	2,936,372.67
Foreign/ADR Securities	314,679.24	262,937.30
Foreign Bonds	55,293.75	59,392.80
Municipal Obligations	80,000.00	88,053.80
<b>Mutual Funds:</b>		
Equity	54,470.50	55,321.00
International Equity	1,296,297.73	913,792.00
<b>Total Investments</b>	<b>7,298,911.60</b>	<b>7,033,184.79</b>
<b>TOTAL ASSETS</b>	<b>7,840,524.22</b>	<b>7,574,797.41</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities:</b>		
Prepaid City Contribution	42,026.73	42,026.73
<b>Total Liabilities</b>	<b>42,026.73</b>	<b>42,026.73</b>
<b>Net Assets:</b>		
Active and Retired Members' Equity	7,798,497.49	7,532,770.68
DROP Plan Benefits	0.00	0.00
<b>Total Net Assets</b>	<b>7,798,497.49</b>	<b>7,532,770.68</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>7,840,524.22</b>	<b>7,574,797.41</b>

City of Palmetto  
Police Officers' Retirement Plan

**CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
September 30, 2011  
Market Value Basis

<b>REVENUES</b>		
<b>Contributions:</b>		
Member	80,710.71	
City	296,359.41	
State	102,428.40	
<b>Total Contributions</b>		<b>479,498.52</b>
<b>Earnings from Investments</b>		
Interest & Dividends	190,023.84	
Net Realized Gain (Loss)	729,656.92	
Unrealized Gain (Loss)	(658,821.59)	
<b>Total Earnings and Investment Gains</b>		<b>260,859.17</b>
<b>EXPENDITURES</b>		
<b>Expenses:</b>		
Investment Related*	52,012.00	
Administrative	18,046.64	
<b>Total Expenses</b>		<b>70,058.64</b>
<b>Distributions to Members:</b>		
Benefit Payments	479,039.97	
Lump Sum DROP Balances	0.00	
Termination Payments	29,162.04	
<b>Total Distributions</b>		<b>508,202.01</b>
<b>DROP Account Net Change</b>		<b>0.00</b>
<b>Change in Net Assets for the Year</b>		<b>162,097.04</b>
<b>Net Assets Beginning of the Year</b>		<b>7,370,673.64</b>
<b>Net Assets End of the Year</b>		<b>7,532,770.68</b>

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



City of Palmetto  
Police Officers' Retirement Plan

**ACTUARIAL ASSET VALUATION**  
September 30, 2011

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Plan Year Ending	Gain/(Loss)	<u>Gains/Losses Not Yet Recognized</u>			
		Amounts Not Yet Recognized by Valuation Year			
		2011	2012	2013	2014
9/30/2008	0	0	0	0	0
9/30/2009	0	0	0	0	0
9/30/2010	(1,443,956)	(721,978)	(360,989)	0	0
9/30/2011	(381,853)	(286,390)	(190,926)	(95,463)	0
<b>Total</b>		<b>(1,008,368)</b>	<b>(551,916)</b>	<b>(95,463)</b>	<b>0</b>

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contribution & DROP, 9/30/2010	7,401,552.16
Contributions Less Benefit Payments & Admin Expenses	(35,601.92)
Expected Investment Earnings	590,700.00
Actual Net Investment Earnings	<u>208,847.17</u>
2011 Actuarial Investment Gain/(Loss)	(381,852.83)

\*Expected Investment Earnings =  $0.08 * (7,401,552 + .5 * -35,602)$

Development of Actuarial Value of Assets

Market Value of Assets, 9/30/2011	7,532,771
(Gains)/Losses Not Yet Recognized	<u>1,008,368</u>
Actuarial Value of Assets, 9/30/2011	8,541,139
 (A) 9/30/2010 Actuarial Assets, including Prepaid Contribution & DROP:	 8,484,519
(I) Net Investment Income:	
1. Interest and Dividends	190,024
2. Realized Gains (Losses)	729,657
3. Change in Actuarial Value	(733,421)
4. Investment Expenses	<u>(52,012)</u>
Total	134,248
 (B) 9/30/2011 Actuarial Assets, including Prepaid Contribution & DROP:	 8,583,165
Actuarial Assets Rate of Return = $2I/(A+B-I)$ :	1.59%
Market Value of Assets Rate of Return:	2.83%
 10/01/11 Limited Actuarial Assets:	 8,541,139
(Lesser of Actuarial Assets or 120% of Market Value)	

City of Palmetto  
Police Officers' Retirement Plan

**CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
September 30, 2011  
Actuarial Asset Basis

<b>REVENUES</b>		
<b>Contributions:</b>		
Member	80,710.71	
City	296,359.41	
State	102,428.40	
<b>Total Contributions</b>		<b>479,498.52</b>
<b>Earnings from Investments</b>		
Interest & Dividends	190,023.84	
Net Realized Gain (Loss)	729,656.92	
Change in Actuarial Value	(733,420.59)	
<b>Total Earnings and Investment Gains</b>		<b>186,260.17</b>
<b>EXPENDITURES</b>		
<b>Expenses:</b>		
Investment Related*	52,012.00	
Administrative	18,046.64	
<b>Total Expenses</b>		<b>70,058.64</b>
<b>Distributions to Members:</b>		
Benefit Payments	479,039.97	
Lump Sum DROP Balances	0.00	
Termination Payments	29,162.04	
<b>Total Distributions</b>		<b>508,202.01</b>
<b>DROP Account Net Change</b>		<b>0.00</b>
<b>Change in Net Assets for the Year</b>		<b>87,498.04</b>
<b>Net Assets Beginning of the Year</b>		<b>8,453,640.64</b>
<b>Net Assets End of the Year**</b>		<b>8,541,138.68</b>

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

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

<b>City of Palmetto</b> <b>Police Officers' Retirement Plan</b>
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**Reconciliation of City's Prepaid Contribution for the  
Fiscal Year Ended (FYE) September 30, 2011**

<b>(1) City and State Required Contribution Rate</b>	<b>24.67%</b>
<b>(from the October 1, 2009 Actuarial Valuation Report)</b>	
<b>(2) Pensionable Payroll Derived from Member Contributions</b>	<b>\$1,614,214.20</b>
<b>(3) Required City and State Contribution (Item 1 times Item 2)</b>	<b>398,226.64</b>
<b>(4) Less Prepaid Contribution from September 30, 2010</b>	<b>(30,878.52)</b>
<b>(5) Less Allowable State Contribution</b>	<b><u>(101,867.23)</u></b>
<b>(6) Equals Required City Contribution</b>	<b>265,480.89</b>
<b>(7) Less Actual City Contributions</b>	<b><u>(307,507.62)</u></b>
<b>(8) Equals City's Prepaid Contribution as of September 30, 2011</b>	<b>\$42,026.73</b>

City of Palmetto  
Police Officers' Retirement Plan

DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2010 through September 30, 2011

<u>Name</u>	<u>9/30/10 Balance</u>	<u>Additions</u>	<u>Investment Return</u>	<u>Distributions</u>	<u>9/30/11 Balance</u>
Hannaford, Rex*	0.00	0.00	0.00	0.00	0.00

**Total** 0.00 0.00 0.00 0.00 0.00

\* Hannaford entered DROP effective 9/30/2011

**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:

Normal Retirement

JOHNSTON, Robert

Early Retirement

LAGASSE JR, George  
SMITH, Thomas

## STATISTICAL DATA

	<u>10/1/2008</u>	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>
Actives	36	34	34	33
Average Current Age	38.8	38.5	39.5	39.9
Average Age at Employment	30.9	29.9	29.8	30.8
Average Past Service	7.9	8.6	9.7	9.1
Average Annual Salary	\$52,235	\$51,177	\$48,577	\$45,635

## 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	2	0	0	0	2	3	0	0	0	0	0	7
30 - 34	0	0	0	1	0	2	1	0	0	0	0	4
35 - 39	1	0	0	0	0	4	0	0	0	0	0	5
40 - 44	0	0	0	1	0	1	3	0	0	0	0	5
45 - 49	0	0	0	0	1	1	1	2	2	0	0	7
50 - 54	0	0	0	1	0	0	1	0	1	0	0	3
55 - 59	0	0	0	0	0	1	0	0	0	0	0	1
60 - 64	0	0	0	0	0	0	1	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	0	0	3	3	12	7	2	3	0	0	33



## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/11	34
b. Terminations	
i. Vested (partial or full) with deferred benefits	1
ii. Non-vested or full lump sum distribution received	2
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	1
g. Voluntary withdrawal	0
h. Continuing participants	30
i. New entrants	3
j. Total active life participants in valuation	33

## 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	20	0	2	0	3	25
b. In	1	0	0	1	1	3
c. Out	0	0	0	0	1	1
d. Number current valuation	21	0	2	1	3	27

**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).

Early Retirement

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.

Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Disability

Eligibility

Covered from Date of Employment.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

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 20% 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.
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Death Benefits

10 or more years of designated Credited Service Early	Monthly accrued benefit payable to beneficiary for life at otherwise  (reduced) or Normal (unreduced) Retirement Date.
Less than 10 years of contributions. Credited Service	Refund of accumulated Member
Post-Retirement accordance	Benefits payable to beneficiary in with option selected at retirement.

Deferred Retirement Option Plan (DROP)

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months from the date of first eligibility for Normal Retirement.
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.**

**SECTION VI**

**GOVERNMENTAL ACCOUNTING STANDARDS  
BOARD DISCLOSURE INFORMATION**

**DISCLOSURE 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 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)
10/01/11	8,541,139	10,377,766	1,836,627	82.30%	1,505,965	121.96%
10/01/10	8,453,641	10,237,834	1,784,193	82.57%	1,651,607	108.03%
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%

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
2011	398,227	296,359	101,867	* 100.00%
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%

\* 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 9/30/11

City and State	24.67%
Plan Members	5.00%
Actuarially Determined Contribution (City and State)	398,227
Contributions made	398,226
Actuarial valuation date	10/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	27 Years (as of 10/1/2011)
Asset valuation method	4 Year Smooth
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>
9/30/2011	403,076	98.80%	(179,734)
9/30/2010	365,337	98.82%	(184,584)
9/30/2009	285,759	100.89%	(188,880)

**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>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>
Actuarially Determined Contribution (A)	281,987	361,041	398,227
Interest on NPO	(15,374)	(15,110)	(14,767)
Adjustment to (A)	19,146	19,406	19,616
	-----	-----	-----
Annual Pension Cost	285,759	365,337	403,076
Contributions Made	288,289	361,041	398,226
	-----	-----	-----
Increase in NPO	(2,530)	4,296	4,850
NPO Beginning of Year	(186,350)	(188,880)	(184,584)
	-----	-----	-----
NPO End of Year	(186,350)	(188,880)	(179,734)

**SECTION VII**

**SENATE BILL 1128 COMPLIANCE**

## **Senate Bill 1128 Compliance**

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Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, nonvested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of Foster & Foster that utilizing this information to compare local law plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

### **Present Value of Accrued Benefits at 7.75% Interest**

<b>Vested Accrued Benefits</b>	
Inactives	\$6,240,007
Actives	2,203,814
Member Contributions	<u>621,184</u>
Total	\$9,065,005
Non-Vested Accrued Benefits	\$730,529
Total Present Value of Accrued Benefits	\$9,795,534