

TAB 3



March 12, 2009

Ms. Diane Ponder  
Deputy City Clerk  
City of Palmetto  
516 8th Avenue West  
Palmetto, Florida 34221

**Re: City of Palmetto Police Officers' Pension Plan**

Dear Diane:

In the minutes from the October 22, 2008 meeting we were asked by the Board of Trustees to formulate different alternatives concerning the investment return assumption and different asset smoothing methods that could lessen the impact of lowering this assumed rate. The current investment return assumption is 8.25% net of expenses.

As discussed at previous meetings, we recommend lowering the investment return assumption from 8.25% to 7.5%. If this is done the required contribution will increase. Changing the asset smoothing method would not necessarily lessen the impact that decreasing the investment return assumption would have on the required contribution. There may have been an opportunity to write up the actuarial value of assets to the market value of assets in the past, but due to poor equity markets since last fall the current actuarial value of assets is significantly higher than the market value of assets.

One approach to lessen the impact of lowering the investment return assumption from 8.25% to 7.5% is to lower this assumption by 25 basis points each of the next three years instead of by 75 basis points this year. Additionally, we could lower the salary scale for Police Officers in the first ten years of service from 9.4% to 8% due to the current economic conditions.

We welcome your questions and comments.

Sincerely yours,

J. Stephen Palmquist, ASA  
Senior Consultant and Actuary

JSP/ja  
Enclosure

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CITY HALL