

July 30, 2015

VIA EMAIL

Ms. Lisa Byers
City of Palmetto Police Officers' Retirement Plan
P.O. Box 1209
Palmetto, FL 34220

Re: City of Palmetto Police Officers' Retirement Plan
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Lisa:

Please find enclosed the annual disclosures that satisfy the October 1, 2014 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services by the July 31, 2015 deadline. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By:



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

DHL/lke
Enclosures

cc via email: Scott R. Christiansen, Board Attorney

CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:  Date: 7/30/2015

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2014 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	ACTUAL	HYPOTHETICAL	
	7.60% RP-2000 Static 9/30/2014	7.60% RP-2000 Generational 9/30/2014	5.60% RP-2000 Generational 9/30/2014
<u>Total Pension Liability</u>			
Service Cost	393,530	409,104	603,973
Interest	883,658	911,624	850,781
Change in Excess State Money	-	-	-
Change in Funding Standard Account	-	-	-
Share Plan Allocation	-	-	-
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Buy Back	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(585,282)	(585,282)	(585,282)
Net Change in Total Pension Liability	691,906	735,446	869,472
Total Pension Liability - Beginning	11,547,437	11,899,835	14,902,444
Total Pension Liability - Ending (a)	<u>12,239,343</u>	<u>\$ 12,635,281</u>	<u>\$ 15,771,916</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	426,776	426,776	426,776
Contributions - State	97,971	97,971	97,971
Contributions - Employee	74,568	74,568	74,568
Contributions - Buy Back	-	-	-
Net Investment Income	1,032,897	1,032,897	1,032,897
Benefit Payments, Including Refunds of Employee Contributions	(585,282)	(585,282)	(585,282)
Administrative Expense	(16,881)	(16,881)	(16,881)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	1,030,049	1,030,049	1,030,049
Plan Fiduciary Net Position - Beginning	9,579,905	9,579,905	9,579,905
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,609,954</u>	<u>\$ 10,609,954</u>	<u>\$ 10,609,954</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,629,389</u>	<u>\$ 2,025,327</u>	<u>\$ 5,161,962</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.60% and RP-2000 Static Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	10,609,954	-	796,820	-	776,077	10,589,211
2015	10,589,211	-	785,602	-	774,927	10,578,536
2016	10,578,536	-	799,891	-	773,573	10,552,218
2017	10,552,218	-	818,555	-	770,863	10,504,526
2018	10,504,526	-	855,936	-	765,818	10,414,408
2019	10,414,408	-	862,536	-	758,719	10,310,591
2020	10,310,591	-	894,976	-	749,596	10,165,211
2021	10,165,211	-	917,893	-	737,676	9,984,994
2022	9,984,994	-	940,104	-	723,136	9,768,026
2023	9,768,026	-	953,906	-	706,122	9,520,242
2024	9,520,242	-	964,513	-	686,887	9,242,616
2025	9,242,616	-	993,005	-	664,705	8,914,316
2026	8,914,316	-	987,273	-	639,972	8,567,015
2027	8,567,015	-	980,321	-	613,841	8,200,535
2028	8,200,535	-	980,431	-	585,984	7,806,088
2029	7,806,088	-	984,888	-	555,837	7,377,037
2030	7,377,037	-	969,382	-	523,818	6,931,473
2031	6,931,473	-	956,466	-	490,446	6,465,453
2032	6,465,453	-	938,898	-	455,696	5,982,251
2033	5,982,251	-	916,453	-	419,826	5,485,624
2034	5,485,624	-	898,888	-	382,750	4,969,486
2035	4,969,486	-	877,066	-	344,352	4,436,772
2036	4,436,772	-	850,998	-	304,857	3,890,631
2037	3,890,631	-	822,229	-	264,443	3,332,845
2038	3,332,845	-	792,251	-	223,191	2,763,785
2039	2,763,785	-	760,990	-	181,130	2,183,925
2040	2,183,925	-	728,299	-	138,303	1,593,929
2041	1,593,929	-	694,240	-	94,757	994,446
2042	994,446	-	659,295	-	50,525	385,676
2043	385,676	-	623,619	-	-	-

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 29.62

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.60% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 7.60% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	10,609,954	-	796,826	-	776,077	10,589,205
2015	10,589,205	-	786,034	-	774,910	10,578,081
2016	10,578,081	-	800,803	-	773,504	10,550,782
2017	10,550,782	-	820,094	-	770,696	10,501,384
2018	10,501,384	-	858,356	-	765,488	10,408,516
2019	10,408,516	-	865,894	-	758,143	10,300,765
2020	10,300,765	-	899,491	-	748,677	10,149,951
2021	10,149,951	-	923,734	-	736,294	9,962,511
2022	9,962,511	-	947,466	-	721,147	9,736,192
2023	9,736,192	-	962,854	-	703,362	9,476,700
2024	9,476,700	-	975,674	-	683,154	9,184,180
2025	9,184,180	-	1,007,751	-	659,703	8,836,132
2026	8,836,132	-	1,004,644	-	633,370	8,464,858
2027	8,464,858	-	1,000,586	-	605,307	8,069,579
2028	8,069,579	-	1,004,334	-	575,123	7,640,368
2029	7,640,368	-	1,012,192	-	542,205	7,170,381
2030	7,170,381	-	1,000,596	-	506,926	6,676,711
2031	6,676,711	-	991,964	-	469,735	6,154,482
2032	6,154,482	-	978,998	-	430,539	5,606,023
2033	5,606,023	-	961,143	-	389,534	5,034,414
2034	5,034,414	-	948,331	-	346,579	4,432,662
2035	4,432,662	-	931,677	-	301,479	3,802,464
2036	3,802,464	-	910,590	-	254,385	3,146,259
2037	3,146,259	-	886,964	-	205,411	2,464,706
2038	2,464,706	-	862,326	-	154,549	1,756,929
2039	1,756,929	-	836,670	-	101,733	1,021,992
2040	1,021,992	-	809,272	-	46,919	259,639
2041	259,639	-	780,449	-	-	-

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 27.33

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.60% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 5.60% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	10,609,954	-	796,826	-	571,846	10,384,974
2015	10,384,974	-	786,034	-	559,550	10,158,490
2016	10,158,490	-	800,803	-	546,453	9,904,140
2017	9,904,140	-	820,094	-	531,669	9,615,715
2018	9,615,715	-	858,356	-	514,446	9,271,805
2019	9,271,805	-	865,894	-	494,976	8,900,887
2020	8,900,887	-	899,491	-	473,264	8,474,660
2021	8,474,660	-	923,734	-	448,716	7,999,642
2022	7,999,642	-	947,466	-	421,451	7,473,627
2023	7,473,627	-	962,854	-	391,563	6,902,336
2024	6,902,336	-	975,674	-	359,212	6,285,874
2025	6,285,874	-	1,007,751	-	323,792	5,601,915
2026	5,601,915	-	1,004,644	-	285,577	4,882,848
2027	4,882,848	-	1,000,586	-	245,423	4,127,685
2028	4,127,685	-	1,004,334	-	203,029	3,326,380
2029	3,326,380	-	1,012,192	-	157,936	2,472,124
2030	2,472,124	-	1,000,596	-	110,422	1,581,950
2031	1,581,950	-	991,964	-	60,814	650,800
2032	650,800	-	978,998	-	-	-

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 18.66

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.60% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL	HYPOTHETICAL	
	7.60% RP-2000 Static	7.60% RP-2000 Generational	5.60% RP-2000 Generational
Total Required Contribution	\$572,123	\$617,401	\$981,105
Expected Member Contribution	74,160	74,160	74,160
Expected State Money	97,971	97,971	97,971
Expected Sponsor Contribution (Fixed \$)	\$399,992	\$445,270	\$808,974
Expected Sponsor Contribution (% of Payroll)	26.96%	30.01%	54.54%

ASSETS

Actuarial Value ¹	10,090,242	10,090,242	10,090,242
Market Value ¹	10,609,954	10,609,954	10,609,954

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	6,300,595	6,578,309	9,716,081
Disability Benefits	529,241	553,664	770,316
Death Benefits	97,990	72,082	103,852
Vested Benefits	337,159	353,354	588,509
Refund of Contributions	28,790	27,732	29,225
Service Retirees	6,075,564	6,240,580	7,547,759
DROP Retirees ¹	838,696	852,220	1,027,113
Beneficiaries	48,041	49,892	55,427
Terminated Vested	574,996	591,656	777,096
Disability Retirees	210,038	222,616	253,995
Excess State Monies Reserve	21,251	21,251	21,251
Total:	15,062,361	15,563,356	20,890,624
Present Value of Future Salaries	13,666,466	13,685,979	15,423,637
Present Value of Future Member Contributions	683,323	684,299	771,182
Total Normal Cost (Entry Age Normal)	371,963	386,443	571,721
Present Value of Future Normal Costs (Entry Age Normal)	3,204,741	3,338,992	5,631,808
Total Actuarial Accrued Liability ¹	11,857,620	12,224,364	15,258,816
Unfunded Actuarial Accrued Liability (Entry Age Normal)	1,767,378	2,134,122	5,168,574

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL	HYPOTHETICAL	
	7.60% RP-2000 Static	7.60% RP-2000 Generational	5.60% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	386,098	401,128	587,729
Administrative Expenses (with interest)	17,522	17,522	17,354
Payment Required To Amortize UAAL (with interest)	168,503	198,751	376,022
Total Required Contribution	\$572,123	\$617,401	\$981,105

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2014.