

CITY OF PALMETTO
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2014



April 5, 2013

Board of Trustees
c/o Ms. Amber Foley
City of Palmetto General Employees' Retirement System
P. O. Box 1209
Palmetto, FL 34220

Re: City of Palmetto
General Employees' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Palmetto General Employees' 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 Chapter 112, 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, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank, Morgan Stanley Smith Barney, and 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.

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 General Employees' 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:



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

DHL/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palmetto General Employees' Retirement System, performed as of October 1, 2012, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2014.

The funding requirements, compared with amounts set forth in the March 29, 2012, Actuarial Impact Statement (determined as of October 1, 2011), are as follows:

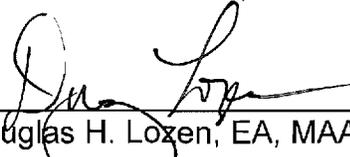
Valuation Date Applicable to Plan/Fiscal Year Ending	10/1/2011 <u>9/30/2013</u>	10/1/2012 <u>9/30/2014</u>
Total Required Contribution % of Total Annual Payroll	33.18%	36.30%
Member Contributions (Est.) % of Total Annual Payroll	5.00%	5.00%
Balance from City % of Total Annual Payroll	28.18%	31.30%

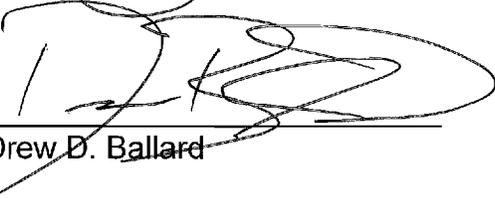
During the past year the actuarial experience has been less favorable than expected on the basis of the actuarial assumptions. The primary sources of unfavorable experience included a 2.3% net-of-fees investment return (Actuarial Asset Basis), falling short of the 7.5% assumption, and lower than expected employee turnover. These losses were partially offset by average increases in pensionable compensation that were less than the assumption by almost 7%.

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 of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Douglas H. Lozen, EA, MAAA

By: 
Drew D. Ballard

Plan Changes Since Prior Valuation

Ordinance 2012-02, adopted April 2, 2012, provided for a limitation on overtime hours and unused sick and vacation time for inclusion in Salary. Details of the impact on liabilities and contribution requirements are set forth in the March 29, 2012 Actuarial Impact Statement.

Actuarial Assumption/Method Changes Since Prior Valuation

Based on guidance provided in Actuarial Standards of Practice Number 35 (specifically in consideration of future mortality improvements), mortality rates for valuation dates on and after October 1, 2012 are based on the RP 2000 Combined Healthy Table, projected to the valuation date using Schedule AA.

In conjunction with the October 1, 2012 actuarial valuation, accumulated DROP Balances are disclosed as a liability, and are also included in the Market and Actuarial Value of Assets. For the purpose of consistency, this change is made retroactively to October 1, 2011. Accordingly, this change is reflected in both columns of the Comparative Summary section of this report.

Changes were made to the assumed liability loads for payment of unused sick and vacation lump sums. Please refer to the March 29, 2012 Actuarial Impact Statement for details.

Comparative Summary of Principal Valuation Results

	New Assum. <u>10/1/2012</u>	Prior Assum. <u>10/1/2012</u>	Prior Assum. <u>10/1/2011</u>
A. Participant Data			
Number Included			
Actives	66	66	64
Service Retirees	42	42	41
DROP Retirees	9	9	7
Beneficiaries	7	7	6
Terminated Vested	2	2	3
Disability Retirees	3	3	4
Total	<u>129</u>	<u>129</u>	<u>125</u>
Total Annual Payroll	2,711,235	2,711,235	2,668,322
Payroll Under Assumed Ret. Age	2,672,643	2,672,643	2,629,733
Annual Rate of Payments to:			
Service Retirees	605,610	605,610	572,106
DROP Retirees	176,468	176,468	126,758
Beneficiaries	22,150	22,150	20,650
Terminated Vested	19,108	19,108	19,108
Disability Retirees	37,324	37,324	41,615
B. Assets			
Actuarial Value ¹	9,566,184	9,566,184	9,300,517
Market Value ¹	9,350,021	9,350,021	7,988,227
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	7,570,760	7,397,299	7,802,518
Disability Benefits	416,838	407,410	391,541
Death Benefits	99,176	117,424	113,227
Vested Benefits	558,579	548,428	505,414
Refund of Contributions	137,641	137,493	129,767
Service Retirees	5,992,145	5,887,225	5,596,686
DROP Retirees ¹	2,350,664	2,315,842	1,662,895
Beneficiaries	140,028	136,960	133,966
Terminated Vested	189,968	185,314	194,009
Disability Retirees	414,505	407,517	440,977
Total	<u>17,870,304</u>	<u>17,540,912</u>	<u>16,971,000</u>

C. Liabilities - (Continued)	New Assum. <u>10/1/2012</u>	Prior Assum. <u>10/1/2012</u>	Prior Assum. <u>10/1/2011</u>
Present Value of Future Salaries	23,084,466	23,042,374	21,686,636
Present Value of Future Member Cont.	1,154,223	1,152,119	1,084,332
Normal Cost (Entry Age Normal)			
Retirement Benefits	288,596	281,532	287,101
Disability Benefits	19,049	18,644	17,897
Death Benefits	4,775	5,620	5,426
Vested Benefits	25,802	25,330	21,981
Refund of Contributions	30,761	30,747	30,198
Total Normal Cost	<u>368,983</u>	<u>361,873</u>	<u>362,603</u>
Present Value of Future Normal Costs	3,057,135	2,992,923	2,902,096
Actuarial Accrued Liability			
Retirement Benefits	5,094,726	4,983,789	5,432,394
Disability Benefits	236,338	230,995	225,245
Death Benefits	58,415	69,348	67,912
Vested Benefits	313,463	308,084	289,774
Refund of Contributions	22,917	22,915	25,046
Inactives ¹	9,087,310	8,932,858	8,028,533
Total Actuarial Accrued Liability	<u>14,813,169</u>	<u>14,547,989</u>	<u>14,068,904</u>
Unfunded Actuarial Accrued Liability (UAAL)	5,246,985	4,981,805	4,768,387
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives ¹	9,087,310	8,932,858	8,028,533
Actives	1,993,742	1,943,633	2,220,874
Member Contributions	<u>893,731</u>	<u>893,731</u>	<u>904,262</u>
Total	11,974,783	11,770,222	11,153,669
Non-vested Accrued Benefits	556,021	543,009	638,727
Total Present Value Accrued Benefits	<u>12,530,804</u>	<u>12,313,231</u>	<u>11,792,396</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	217,573	0	
New Accrued Benefits	0	341,501	
Benefits Paid	0	(679,610)	
Interest	0	858,944	
Other	0	0	
Total:	<u>217,573</u>	<u>520,835</u>	

Valuation Date Applicable to the Fiscal Year Ending	New Assum. 10/1/2012 <u>9/30/2014</u>	Prior Assum. 10/1/2012 <u>9/30/2014</u>	Prior Assum. 10/1/2011 <u>9/30/2013</u>
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E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	14.32	14.05	14.31
Administrative Expense (with interest) % of Total Annual Payroll ²	0.73	0.73	1.22
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (with interest) (as of 10/1/12) % of Total Annual Payroll ²	21.25	20.39	17.65
Total Required Contribution % of Total Annual Payroll ²	36.30	35.17	33.18
Expected Member Contributions % of Total Annual Payroll ²	5.00	5.00	5.00
Expected City Contrib. % of Total Annual Payroll ²	31.30	30.17	28.18

F. Past Contributions

Plan Years Ending:	<u>9/30/2012</u>
Total Required Contribution	752,628
City Requirement	625,581
Actual Contributions Made:	
Members	127,047
City	626,182
Total	<u>753,229</u>

G. Actuarial Gain (Loss) (226,023)

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/11 ad 9/30/12.

² Contributions developed as of 10/1/12 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/12 of \$2,672,643

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$5,246,985
2013	5,052,109
2014	4,844,216
2024	2,824,855
2034	455,673
2041	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	0.6%	7.4%
Year Ended	9/30/2011	-2.1%	7.4%
Year Ended	9/30/2010	3.2%	7.4%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	2.3%	7.5%
Year Ended	9/30/2011	0.5%	7.5%
Year Ended	9/30/2010	3.2%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$2,711,235
	10/1/2002	2,832,569
(b) Total Increase		-4.3%
(c) Number of Years		10.00
(d) Average Annual Rate		-0.4%

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.


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

Please let us know when the report is approved by the Board and unless otherwise directed we will provide a copy of the report to the following office to comply with Chapter 112, Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$4,768,387
(2)	City Normal Cost Applicable for the Year	231,116
(3)	Expected Administrative Expenses for the Year	31,043
(4)	Interest on (1), (2), and (3)	376,127
(5)	Sponsor Contributions to the System during the year ending September 30, 2012	626,182
(6)	Interest on (5)	24,709
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	4,755,782
(8)	New UAAL due to Experience (Gain)/Loss	226,023
(9)	New UAAL due to Change in Mortality Assumption	265,180
(10)	UAAL as of October 1, 2012	5,246,985

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
Assumption Change	10/1/1989	7	(12,390)	(2,176)
Amendment	10/1/1989	7	1,231	216
Assumption Change	10/1/1990	8	1,884	299
Amendment	10/1/1990	8	166,624	26,463
Assumption Change	10/1/1991	9	26,869	3,918
Funding Method Change	10/1/1992	10	268,409	36,375
Assumption Change	10/1/1992	10	(40,570)	(5,498)
Funding Method Change	10/1/1993	11	(260,009)	(33,063)
Amendment	10/1/1994	12	18	2
Amendment	10/1/1996	14	124,591	13,653
Assumption Change	10/1/1998	16	(153,237)	(15,593)
Amendment	10/1/1998	16	339,658	34,563
Experience Loss	10/1/1998	1	1,487	1,487
Experience Loss	10/1/1999	2	7,214	3,737
Experience Gain	10/1/2000	3	(92,999)	(33,267)
Experience Loss	10/1/2001	4	59,391	16,495
Assumption Change	10/1/2001	19	7,510	701
Experience Loss	10/1/2002	5	462,449	106,327
Experience Gain	10/1/2003	6	(8,347)	(1,654)
Experience Gain	10/1/2004	7	(69,255)	(12,163)
Experience Gain	10/1/2005	8	(98,501)	(15,644)
Experience Loss	10/1/2006	9	537,566	78,393
Experience Loss	10/1/2007	10	18,170	2,462
Assumption Change	10/1/2007	25	1,822,545	152,095
Experience Loss	10/1/2008	21	1,492,749	133,347
Assum. & Method Change	10/1/2008	26	(400,760)	(32,993)
Experience Loss	10/1/2009	22	356,454	31,231
Experience Gain	10/1/2010	23	(347,777)	(29,936)
Assumption Change	10/1/2010	23	(225,205)	(19,385)
Asset Method Change	10/1/2010	23	396,562	34,136
Experience Loss	10/1/2011	24	411,891	34,886

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$4,768,387
(2)	City Normal Cost Applicable for the Year	231,116
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(5)	Sponsor Contributions to the System during the year ending September 30, 2012	626,182
(6)	Interest on (5)	24,709
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	4,755,782
(8)	New UAAL due to Experience (Gain)/Loss	226,023
(9)	New UAAL due to Change in Mortality Assumption	265,180
(10)	UAAL as of October 1, 2012	5,246,985

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
Amendment	10/1/2011	29	(38,440)	(3,057)
Experience Loss	10/1/2012	25	226,023	18,862
Assumption Change	10/1/2012	25	<u>265,180</u>	<u>22,130</u>
			5,246,985	547,349

Cost of Living Adjustments None.

Payroll Increases None.

Administrative Expenses \$18,840.

Actuarial Value of Assets The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.

Termination Rates Age and service based rates shown in table below.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
All	0-1	22.0%
	1-2	20.0%
	2-3	18.0%
	3-4	16.0%
	4-5	14.0%
	5-6	12.0%
	6-7	10.0%
	7-8	9.0%
	8-9	8.0%
	9-10	7.0%
30 and older	10 or more	2.0%

Disability Rates Age based table shown below.

<u>Age</u>	<u>Probability of Disability</u>
25	0.09%
30	0.12%
35	0.14%
40	0.25%
45	0.35%
50	0.55%
55	0.74%
60	0.97%
65 and older	1.19%

Funding Method Entry Age Normal Actuarial Cost Method (Level Percent of Pay).

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.

City of Palmetto
General Employees' Retirement System

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	304,412.17	304,412.17
Pending Sales Receivable	24,228.74	24,228.74
Pending Purchases Payable	(12,669.24)	(12,669.24)
Cash	97,736.30	97,736.30
Total Cash and Equivalents	413,707.97	413,707.97
Receivable:		
Member Contributions in Transit	4,757.96	4,757.96
City Contributions in Transit	21,933.99	21,933.99
Pending Equity Dividends	5,932.53	5,932.53
Accrued Income	15,238.32	15,238.32
Total Receivable	47,862.80	47,862.80
Investments:		
Fixed Income	1,557,783.36	1,635,020.17
Equity	4,817,136.98	5,515,392.33
Alternative Investments	660,000.00	713,959.76
Pooled/Common/Commingled Funds:		
Equity	1,000,000.00	1,025,229.51
Total Investments	8,034,920.34	8,889,601.77
TOTAL ASSETS	8,496,491.11	9,351,172.54
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Benefit Payments	1,151.09	1,151.09
Total Liabilities	1,151.09	1,151.09
Net Assets, including DROP Account Balances	8,495,340.02	9,350,021.45
TOTAL LIABILITIES AND NET ASSETS	8,496,491.11	9,351,172.54

City of Palmetto
General Employees' Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2012
Market Value Basis

REVENUES

Contributions:		
Member	127,047.27	
City	626,182.49	
Total Contributions		753,229.76
Earnings from Investments		
Interest & Dividends	175,494.80	
Miscellaneous Income	451.64	
Net Realized Gain (Loss)	446,335.06	
Unrealized Gain (Loss)	755,728.27	
Total Earnings and Investment Gains		1,378,009.77
	EXPENDITURES	
Expenses:		
Investment Related ¹	70,995.07	
Administrative	18,840.34	
Total Expenses		89,835.41
Distributions to Members:		
Benefit Payments	590,919.94	
Lump Sum DROP Balances	39,761.33	
Termination Payments	48,928.51	
Total Distributions		679,609.78
Change in Net Assets for the Year		1,361,794.34
Net Assets Beginning of the Year ²		7,988,227.11
Net Assets End of the Year		9,350,021.45

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets include DROP account balances at the beginning of the year.

City of Palmetto
General Employees' Retirement System

ACTUARIAL ASSET VALUATION
September 30, 2012

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			
		2012	2013	2014	2015
9/30/2009	0	0	0	0	0
9/30/2010	(1,573,858)	(393,464)	0	0	0
9/30/2011	(700,482)	(350,241)	(175,120)	0	0
9/30/2012	703,389	527,542	351,695	175,847	0
Total		(216,163)	176,575	175,847	0

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contribution & DROP, 9/30/11	8,020,954.53
Contributions Less Benefit Payments & Admin Expenses	54,779.64
Expected Investment Earnings *	603,626.00
Actual Net Investment Earnings	1,307,014.70
9/30/2012 Actuarial Investment Gain/Loss	<u>703,388.70</u>

*Expected Investment Earnings = $0.075 * (8,020,955 + 0.5 * 54,780)$

Development of Actuarial Value of Assets

Market Value of Assets, 9/30/2012	9,350,021
(Gains)/Losses Not Yet Recognized	<u>216,163</u>
Actuarial Value of Assets, 9/30/2012	9,566,184
(A) 9/30/2011 Actuarial Assets, including Prepaid Contribution & DROP:	9,333,245
(I) Net Investment Income:	
1. Interest and Dividends	175,946
2. Realized Gains (Losses)	446,335
3. Change in Actuarial Value	(340,399)
4. Investment Expenses	<u>(70,995)</u>
Total	210,888
(B) 9/30/2012 Actuarial Assets:	9,566,184
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	2.3%
Market Value of Assets Rate of Return:	16.3%

10/01/12 Limited Actuarial Assets: 9,566,184
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

City of Palmetto
General Employees' Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2012
Actuarial Asset Basis

REVENUES

Contributions:		
Member	127,047.27	
City	626,182.49	
Total Contributions		753,229.76
Earnings from Investments		
Interest & Dividends	175,494.80	
Miscellaneous Income	451.64	
Net Realized Gain (Loss)	446,335.06	
Change in Actuarial Value	(340,398.73)	
Total Earnings and Investment Gains		281,882.77
	EXPENDITURES	
Expenses:		
Investment Related ¹	70,995.07	
Administrative	18,840.34	
Total Expenses		89,835.41
Distributions to Members:		
Benefit Payments	590,919.94	
Lump Sum DROP Balances	39,761.33	
Termination Payments	48,928.51	
Total Distributions		679,609.78
Change in Net Assets for the Year		265,667.34
Net Assets Beginning of the Year ²		9,300,517.11
Net Assets End of the Year ³		9,566,184.45

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets include DROP account balances at the beginning of the year.

³Net Assets may be limited for actuarial consideration.

City of Palmetto
General Employees' Retirement System

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2011 through September 30, 2012

Name	9/30/11 Balance	Additions	Investment Return	Distributions	9/30/12 Balance
Carter, Harold*	0.00	0.00	0.00	0.00	0.00
Carter, Jr., Richard	66,612.08	26,432.52	5,251.47	0.00	98,296.07
David, George	27,268.92	35,413.68	3,007.34	0.00	65,689.94
Douglas, Patrick	0.00	9,721.47	312.35	0.00	10,033.82
Jones, Sharon	70,650.09	22,717.20	5,384.39	0.00	98,751.68
Kinn, Duane	(4,580.29)	0.00	0.00	4,580.29	0.00
Leaks, Charles	4,999.68	11,811.48	736.84	0.00	17,548.00
Mathis, Curtis	0.00	11,603.24	372.82	0.00	11,976.06
Martin, J. Scott	32,150.47	10,359.81	1,831.34	(44,341.62)	0.00
Walker, Robert	15,519.35	8,808.36	1,315.90	0.00	25,643.61
Williamson, Jr., George	27,271.91	7,761.60	2,043.32	0.00	37,076.83

*Mr. Carter entered DROP 10/1/12

Total	239,892.21	144,629.36	20,255.77	(39,761.33)	365,016.01
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ELIGIBILITY FOR RETIREMENT

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

- 1) Attained Age 60 with 10 Years of Credited Service
- or 2) 30 Years of Credited Service, regardless of Age.

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

- 1) Attained Age 55 with 10 Years of Credited Service.

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

Normal Retirement	Early Retirement
CANTU, GUADALUPE ROBERTS, DEANNA	CARTER, JOHNNY MORENO, REYNALDO PITTMAN JR, RICHARD SEGER, GEOFFREY

STATISTICAL DATA

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Actives	77	69	64	66
Average Current Age	47.0	48.2	47.5	46.1
Average Age at Employment	38.5	38.8	38.5	37.9
Average Past Service	8.5	9.4	9.0	8.2
Average Annual Salary	\$41,486	\$41,327	\$41,693	\$41,079

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	2	0	0	0	0	0	0	0	0	0	0	2
25 - 29	0	0	1	0	1	1	0	0	0	0	0	3
30 - 34	3	1	1	0	0	5	1	0	0	0	0	11
35 - 39	0	1	0	0	0	0	2	0	0	0	0	3
40 - 44	1	0	0	0	0	3	4	0	0	0	0	8
45 - 49	0	1	0	0	0	4	3	0	0	1	0	9
50 - 54	2	1	0	0	0	3	3	3	1	0	0	13
55 - 59	0	0	3	0	0	3	2	0	1	1	0	10
60 - 64	1	0	0	0	2	1	0	0	0	0	0	4
65+	0	0	0	0	0	1	1	1	0	0	0	3
Total	9	4	5	0	3	21	16	4	2	2	0	66

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/12	64
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
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	2
f. DROP	3
g. Voluntary withdrawal	0
h. Continuing participants	57
i. New entrants	9
j. Total active life participants in valuation	66

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

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Receiving Disability Benefits	<u>DROP</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	41	6	4	7	3	61
b. In	3	1	0	3	0	7
c. Out	2	0	1	1	1	5
d. Number current valuation	42	7	3	9	2	63

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2012-02)

<u>Latest Amendment</u>	April 2, 2012.
<u>Eligibility</u>	Actively employed persons (except Police Officers) in the regular full-time service of the City.
<u>Salary</u>	Total compensation reportable on form W-2, plus tax deferred, tax sheltered, and tax exempt items of income. Effective July 1, 2011, Salary shall not include overtime pay in excess of 300 hours per calendar year. Additionally, lump sum payments of unused sick and vacation pay shall not utilize hours in excess of those accrued as of July 1, 2011.
<u>Average Final Compensation</u>	Average of the five (5) best years of the final 10 years of service prior to termination or retirement.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee with Member Contributions, when required.
<u>Normal Retirement</u>	
Date	Earlier of: 1) the attainment of age 60 with 10 years of Credited Service (the service component is 5 years for participants hired prior to January 1, 1995), or 2) the completion of 30 years of Credited Service, regardless of age.
Benefit	2.5% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).

Early Retirement

Date	Age 55 with the completion of 10 years of Credited Service. The service component is 5 years for participants hired prior to January 1, 1995.
Benefit	Determined as for Normal Retirement and reduced 3% for each year the Early Retirement Date precedes the otherwise Normal Retirement Date, determined as if the Member had continued employment.
Form of Benefit	Life Annuity (options available).

Death Benefit

Pre-Retirement	
Not Vested	Refund of Member Contributions, with interest.
Vested	Accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).
Post-Retirement	According to optional form of benefit selected at retirement.

Disability Benefit

Date	Completions of 10 years of Credited Service (5 year requirement for participants hired prior to January 1, 1995).
Benefit	2.5% of Average Final Compensation <u>times</u> Credited Service, payable as of the date the Board determines such entitlement.
Form of Benefit	Life Annuity (options available).

Termination of Employment

Less than ten years	Refund of Member Contributions with 4.0% interest per annum.
Ten or more years	Refund of Contributions, with interest, or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date, determined as if the Member had continued employment.

Member Contributions

Amount	5.0% of Salary.
Interest	4.0% per year.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements
Participation	Not to exceed the date which is 5 years from the date on which the Member first becomes eligible for Normal Retirement.
Rate of Return	At Member's election: (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (2) 6.5% per annum compounded monthly. Members may elect to change the form of return once while participating in the DROP.
Form of Distribution	Cash lump sum (options available) at termination of employment.

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 (JAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	JAAL as a % of Covered Payroll ((b-a)/c)
10/01/12	9,566,184	14,813,169	5,246,985	64.58%	2,711,235	193.53%
10/01/11	9,060,625	13,866,925	4,806,300	65.34%	2,629,733	182.77%
10/01/10	9,035,902	13,474,119	4,438,217	67.06%	2,979,233	148.97%
10/01/09	8,730,041	13,242,553	4,512,512	65.92%	3,194,420	141.26%
10/01/08	8,518,496	12,697,837	4,179,341	67.09%	3,857,700	108.34%
10/01/07	8,107,177	11,176,288	3,069,111	72.54%	3,707,079	82.79%

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	Percentage Contributed
2012	625,581	626,182	100.10%
2011	660,373	660,373	100.00%
2010	556,459	556,459	100.00%
2009	639,605	640,483	100.14%
2008	495,147	516,320	104.28%
2007	394,861	397,559	100.68%

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/12	
City	24.62%
Plan Members	5.00%
Actuarially Determined Contribution	625,581
Contributions made	626,182
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, closed
Remaining amortization period	28 Years as of 10/1/2010
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	6.0 - 7.5%
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/12	627,720	99.76%	(251,570)
9/30/11	676,307	97.64%	(253,108)
9/30/10	573,265	97.07%	(269,042)

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 development of the Net Pension Obligation to date is as follows:

	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
Actuarially Determined			
Contribution (A)	556,459	660,373	625,581
Interest on NPO	(21,439)	(20,178)	(18,983)
Adjustment to (A)	38,245	36,112	21,122
	-----	-----	-----
Annual Pension Cost	573,265	676,307	627,720
Contributions Made	556,459	660,373	626,182
	-----	-----	-----
Increase in NPO	16,806	15,934	1,538
NPO Beginning of Year	(285,848)	(269,042)	(253,108)
	-----	-----	-----
NPO End of Year	(285,848)	(269,042)	(251,570)

SENATE BILL 1128 COMPLIANCE

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

Vested Accrued Benefits	
Inactives	\$8,915,902
Actives	1,907,997
Member Contributions	<u>893,731</u>
Total	11,717,630
Non-Vested Accrued Benefits	<u>531,025</u>
Total Present Value of Accrued Benefits	\$12,248,655