

CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE CITY'S
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2014



March 13, 2013

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.

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/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan, performed as of October 1, 2012, 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, 2014.

The contribution requirements, compared with amounts developed in the May 24, 2012 Actuarial Impact Statement (determined as of October 1, 2011), are as follows:

Valuation Date Applicable Plan/Fiscal Yr. End	<u>10/1/2011</u> <u>9/30/2013</u>	<u>10/1/2012</u> <u>9/30/2014</u>
Total Required Contribution % of Total Annual Payroll	37.00%	40.18%
Member Contributions % of Total Annual Payroll	5.00%	5.00%
City and State Required Contribution % of Total Annual Payroll	32.00%	35.18%
State Contribution * % of Total Annual Payroll	99,466 6.98%	99,466 6.98%
Balance from City % of Total Annual Payroll	25.02%	28.20%

* The City may use annual State Contributions up to \$101,867, if received, in determining its minimum recommended funding requirement. For budgeting purposes, the required Sponsor Contribution (City and State) is 35.18% of Pensionable Earnings for the fiscal year ending September 30, 2014. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$101,867).

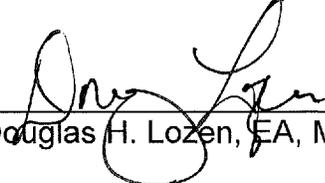
As can be seen, the Total Required Contribution has increased over the past year, when expressed as a percentage of Total Annual Payroll. This increase is partially attributable to experience that has been less favorable than expected, on the basis of the actuarial assumptions. The primary source of loss stemmed from a 3.5% net-of-fees investment return (Actuarial Asset Basis) that fell short of the 7.9% assumption. These investment losses were partially offset by average increases in Pensionable Earnings that were less than the assumption by nearly 7%.

It is important to point out that there were a few additional reasons that the funding requirements increased over the past year. There was a 5.4% decrease in Total Annual Payroll since the last valuation, which has the effect of increasing the cost of servicing the UAAL, when expressed as a percentage of Total Annual Payroll. Also, as described on the following page, the investment return assumption was decreased from 7.9% per year to 7.8% per year (net of investment related expenses), as previously approved by the Board of Trustees.

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 has been one change in benefits since the prior valuation in order to comply with regulations set forth in Senate Bill 1128, as outlined in our May 24, 2012 Actuarial Impact Statement. Effective July 1, 2011, annual overtime shall not exceed 300 hours. Additionally, payments for unused sick and vacation leave at the time of retirement shall not exceed the amounts in place on July 1, 2011.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been multiple changes in the actuarial assumptions since the prior valuation. For purposes of the benefit change described above, the liability load assumption for terminal leave pay was amended. Please refer to the Actuarial Impact Statement for specific details.

Also, in conjunction with this valuation, the investment return assumption has been decreased from 7.9% to 7.8% per year compounded annually, net of investment related expenses. As stated in the revised 2011 actuarial valuation, the Board has approved to lower the investment return assumption by 0.1% each year until the assumption ultimately reaches 7.5%.

Comparative Summary of Principal Valuation Results

	New Assums <u>10/1/2012</u>	Old Assums <u>10/1/2012</u>	Old Assums <u>10/1/2011</u>
A. Participant Data			
Number Included			
Actives	32	32	33
Service Retirees	22	22	21
DROP Retirees	2	2	1
Beneficiaries	0	0	0
Terminated Vested	3	3	3
Disability Retirees	2	2	2
Total	<u>61</u>	<u>61</u>	<u>60</u>
Total Annual Payroll	1,425,061	1,425,061	1,505,965
Payroll Under Assumed Ret. Age	1,425,061	1,425,061	1,505,965
Annual Rate of Payments to:			
Service Retirees	510,066	510,066	464,122
DROP Retirees	90,572	90,572	53,350
Beneficiaries	0	0	0
Terminated Vested	46,788	46,788	46,788
Disability Retirees	25,376	25,376	25,376
B. Assets			
Actuarial Value	8,806,109	8,806,109	8,541,139
Market Value	8,736,205	8,736,205	7,532,771
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	5,994,789	5,885,554	6,504,441
Disability Benefits	520,209	512,552	552,701
Death Benefits	95,611	94,004	98,145
Vested Benefits	323,082	315,629	318,053
Refund of Contributions	30,082	30,001	31,656
Service Retirees	5,581,879	5,534,617	5,025,184
DROP Retirees	1,107,452	1,097,900	598,145
Beneficiaries	0	0	0
Terminated Vested	341,440	336,644	311,550
Disability Retirees	219,547	218,190	223,847
Excess State Reserve	16,268	16,268	16,268
Total	<u>14,230,359</u>	<u>14,041,359</u>	<u>13,679,990</u>

C. Liabilities - (Continued)	New Assums <u>10/1/2012</u>	Old Assums <u>10/1/2012</u>	Old Assums <u>10/1/2011</u>
Present Value of Future Salaries	13,800,563	13,719,738	13,842,592
Present Value of Future Member Cont.	690,028	685,987	692,130
Normal Cost (Entry Age Normal)			
Retirement Benefits	286,826	281,338	296,820
Disability Benefits	48,073	47,546	52,946
Death Benefits	5,499	5,410	5,916
Vested Benefits	20,353	19,912	22,094
Refund of Contributions	5,103	5,098	6,604
Total Normal Cost	<u>365,854</u>	<u>359,304</u>	<u>384,380</u>
Present Value of Future Normal Costs	3,326,997	3,246,362	3,312,895
Actuarial Accrued Liability			
Retirement Benefits	3,328,529	3,286,844	3,867,176
Disability Benefits	123,746	122,689	135,128
Death Benefits	44,332	43,856	45,999
Vested Benefits	135,298	133,112	137,525
Refund of Contributions	4,871	4,877	6,273
Inactives	7,250,318	7,187,351	6,158,726
State Excess Reserve	16,268	16,268	16,268
Total Actuarial Accrued Liability	<u>10,903,362</u>	<u>10,794,997</u>	<u>10,367,095</u>
Unfunded Actuarial Accrued Liability (UAAL)	2,097,253	1,988,888	1,825,956
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	7,250,318	7,187,351	6,158,726
Actives	1,991,477	1,958,541	2,148,130
Member Contributions	<u>568,072</u>	<u>568,072</u>	<u>621,184</u>
Total	9,809,867	9,713,964	8,928,040
Non-vested Accrued Benefits	386,777	379,231	708,235
Total Present Value Accrued Benefits	<u>10,196,644</u>	<u>10,093,195</u>	<u>9,636,275</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	103,449	0	
New Accrued Benefits	0	243,781	
Benefits Paid	0	(527,298)	
Interest	0	740,437	
Other	0	0	
Total:	<u>103,449</u>	<u>456,920</u>	

Valuation Date Applicable to the Fiscal Year Ending	New Assums 10/1/2012 <u>9/30/2014</u>	Old Assums 10/1/2012 <u>9/30/2014</u>	Old Assums 10/1/2011 <u>9/30/2013</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll*	26.67	26.21	26.53
Administrative Expense (with interest) % of Total Annual Payroll*	1.30	1.30	1.25
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 26 years as of 10/1/12 (with interest) % of Total Annual Payroll*	12.21	11.64	9.22
Total Required Contribution % of Total Annual Payroll*	40.18	39.15	37.00
Expected Member Contributions % of Total Annual Payroll*	5.00	5.00	5.00
Expected City & State Contrib. % of Total Annual Payroll*	35.18	34.15	32.00

F. Past Contributions

Plan Year Ending:	<u>9/30/2012</u>
Total Required Contribution	508,838
City and State Requirement	433,096
Actual Contributions Made:	
Members	75,743
State	99,466
City	<u>333,664</u>
Total	<u>508,872</u>

G. Actuarial Gain (Loss) (115,209)

* Contributions developed as of 10/1/12 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/12 of \$1,425,061

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$2,097,253
2013	2,080,241
2014	2,051,013
2024	1,475,709
2034	(43,386)
2038	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	1.2%	8.0%
Year Ended	9/30/2011	-2.5%	8.0%
Year Ended	9/30/2010	2.4%	7.9%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	3.5%	7.9%
Year Ended	9/30/2011	1.6%	8.0%
Year Ended	9/30/2010	3.6%	8.0%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$1,425,061
	10/1/2002	1,267,483
(b) Total Increase		12.4%
(c) Number of Years		10.00
(d) Average Annual Rate		1.2%

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 copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

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

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$1,825,956
(2)	City Normal Cost Applicable for the Year	309,082
(3)	Expected Administrative Expenses for the Year	18,047
(4)	Interest on (1), (2), and (3)	169,381
(5)	Sponsor Contributions to the System during the year ending September 30, 2012	433,129
(6)	Interest on (5)	15,658
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	1,873,679
(8)	New UAAL due to Experience (Gain)/Loss	115,209
(9)	Increase in UAAL due to Assumption Change	108,365
(10)	UAAL as of October 1, 2012	\$2,097,253

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
UAAL	10/1/1987	5	4,487	1,037
Amendment	10/1/1989	7	61,079	10,808
Assumption Change	10/1/1990	8	(76,853)	(12,312)
Method Change	10/1/1991	9	44,473	6,549
Amendment	10/1/1991	9	15,463	2,277
Method Change	10/1/1992	10	28,290	3,876
Assumption Change	10/1/1994	12	30,983	3,774
Assumption Change	10/1/1995	13	(19,157)	(2,224)
Amendment	10/1/1995	13	(165,937)	(19,262)
Assumption Change	10/1/1998	16	(209,924)	(21,720)
Amendment	10/1/1998	16	340,535	35,234
Experience Gain	10/1/1998	1	(10,101)	(10,101)
Experience Gain	10/1/1999	2	(20,245)	(10,502)
Experience Gain	10/1/2000	3	(51,644)	(18,523)
Experience Gain	10/1/2001	4	(3,018)	(842)
Experience Loss	10/1/2002	5	139,474	32,234
Amendment	10/1/2002	20	14,839	1,381
Experience Gain	10/1/2003	6	(31,187)	(6,220)
Assumption Change	10/1/2003	21	(26,281)	(2,397)
Experience Loss	10/1/2004	7	18,999	3,362
Experience Gain	10/1/2005	8	(140,454)	(22,501)
Assumption Change	10/1/2005	23	123,638	10,880
Experience Loss	10/1/2006	9	49,123	7,234

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$1,825,956
(2)	City Normal Cost Applicable for the Year	309,082
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(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	1,873,679
(8)	New UAAL due to Experience (Gain)/Loss	115,209
(9)	Increase in UAAL due to Assumption Change	108,365
(10)	UAAL as of October 1, 2012	\$2,097,253

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
Amendment	10/1/2006	24	154,873	13,418
Experience Gain	10/1/2007	10	(118,275)	(16,204)
Assumption Change	10/1/2008	26	(506,802)	(42,733)
Experience Loss	10/1/2008	21	1,717,897	156,656
Experience Loss	10/1/2009	22	241,417	21,608
Experience Gain	10/1/2010	23	(164,191)	(14,448)
Assumption Change	10/1/2010	23	102,863	9,052
Method Change	10/1/2010	23	374,672	32,970
Experience Gain	10/1/2011	24	(139,679)	(12,102)
Assumption Change	10/1/2011	24	105,119	9,108
Amendment	10/1/2011	24	(10,797)	(935)
Experience Loss	10/1/2012	25	115,209	9,841
Assumption Change	10/1/2012	25	108,365	9,257
			<u>2,097,253</u>	<u>167,530</u>

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years.	
	Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.	
<u>Interest Rate</u>	7.8% (previously 7.9%) per year compounded annually, net of investment related expenses.	
<u>Normal Retirement Age</u>	Number of Years after First Eligibility for <u>Normal Retirement</u>	Probability of <u>Retirement</u>
	0	80%
	1-4	40%
	5	100%
<u>Early Retirement Rate</u>	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%
<u>Terminal Leave Pay</u>	Credited Service as of <u>10/1/2011</u>	Percentage Increase to <u>Liabilities</u>
	10 or more years	4.5%
	1-10 years	3.5%
	Less than 1 year	0.0%
<u>Cost of Living Adjustments</u>	None.	
<u>Payroll Increases</u>	None.	
<u>Administrative Expenses</u>	\$17,799	
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method	

Termination Rates

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

Disability Rates

<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%

It is assumed that 75% of disablements and active Member deaths are service related.

Actuarial Asset Method

The Actuarial Value of Assets utilizes a 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.

VALUATION NOTES

Total Annual Payroll is the annual rate of pay for the fiscal year preceding 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	561.17
2012	99,465.82	101,867.23	<u>0.00</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

City of Palmetto
Police Officers' Retirement Plan

BALANCE SHEET
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Pooled Cash	600.00	600.00
Prepaid Expenses	3,875.00	3,875.00
Money Market	286,981.64	286,981.64
Total Cash and Equivalents	291,456.64	291,456.64
Receivable:		
Member Contributions in Transit	2,627.47	2,627.47
City Contributions in Transit	9,185.76	9,185.76
Overpayment of Retirement Benefits	12,918.64	12,918.64
Accrued Income	23,168.47	23,168.47
Total Receivable	47,900.34	47,900.34
Investments:		
U S Govt/Govt Sponsored/Agency	1,580,313.73	1,646,304.43
Corporate Bonds/CMOs/REMICs	1,266,031.25	1,315,452.00
Corporate Stocks/REITs	3,181,626.94	3,730,414.19
Foreign/ADR Securities	306,713.06	291,693.10
Municipal Obligations	80,000.00	92,438.80
Mutual Funds:		
Fixed Income	210,681.38	213,714.32
Equity	54,470.50	60,161.50
International Equity	1,021,037.01	1,050,498.56
Total Investments	7,700,873.87	8,400,676.90
TOTAL ASSETS	8,040,230.85	8,740,033.88
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
Benefit Payments	3,828.65	3,828.65
Total Liabilities	3,828.65	3,828.65
Net Assets, including DROP Account Balances	8,036,402.20	8,736,205.23
TOTAL LIABILITIES AND NET ASSETS	8,040,230.85	8,740,033.88

City of Palmetto
Police Officers' Retirement Plan

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

REVENUES

Contributions:		
Member	75,742.50	
City	333,663.65	
State	99,465.82	
Total Contributions		508,871.97
Earnings from Investments		
Interest & Dividends	233,829.25	
Net Realized Gain (Loss)	98,058.12	
Unrealized Gain (Loss)	965,529.84	
Total Earnings and Investment Gains		1,297,417.21

EXPENDITURES

Expenses:		
Investment Related*	57,758.05	
Administrative	17,798.68	
Total Expenses		75,556.73
Distributions to Members:		
Benefit Payments	493,326.17	
Lump Sum DROP Balances	0.00	
Termination Payments	33,971.73	
Total Distributions		527,297.90
Change in Net Assets for the Year		1,203,434.55
Net Assets Beginning of the Year		7,532,770.68
Net Assets End of the Year		8,736,205.23

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

City of Palmetto
Police Officers' Retirement Plan
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	(1,443,956)	(360,989)	0	0	0
9/30/2011	(381,853)	(190,926)	(95,463)	0	0
9/30/2012	642,681	482,011	321,340	160,670	0
Total		(69,904)	225,877	160,670	0

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contribution & DROP, 9/30/11	7,574,797.41
Contributions Less Benefit Payments & Admin Expenses	(36,224.61)
Expected Investment Earnings	596,978.00
Actual Net Investment Earnings	<u>1,239,659.16</u>
9/30/2012 Actuarial Investment Gain/Loss	642,681.16

*Expected Investment Earnings = $0.079 * (7,574,797 - 0.5 * 36,225)$

Development of Actuarial Value of Assets

Market Value of Assets, 9/30/2012	8,736,205
(Gains)/Losses Not Yet Recognized	<u>69,904</u>
Actuarial Value of Assets, 9/30/2012	8,806,109

(A) 9/30/2011 Actuarial Assets, including Prepaid Contribution & DROP: 8,583,165

(I) Net Investment Income:

1. Interest and Dividends	233,829
2. Realized Gains (Losses)	98,058
3. Change in Actuarial Value	27,066
4. Investment Expenses	<u>(57,758)</u>
Total	301,195

(B) 9/30/2012 Actuarial Assets, including Prepaid Contribution & DROP: 8,806,109

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 3.53%

Market Value of Assets Rate of Return: 16.45%

10/01/12 Limited Actuarial Assets: 8,806,109
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

City of Palmetto
Police Officers' Retirement Plan

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

REVENUES

Contributions:		
Member	75,742.50	
City	333,663.65	
State	99,465.82	
Total Contributions		508,871.97
Earnings from Investments		
Interest & Dividends	233,829.25	
Net Realized Gain (Loss)	98,058.12	
Change in Actuarial Value	27,065.84	
Total Earnings and Investment Gains		358,953.21
	EXPENDITURES	
Expenses:		
Investment Related*	57,758.05	
Administrative	17,798.68	
Total Expenses		75,556.73
Distributions to Members:		
Benefit Payments	493,326.17	
Lump Sum DROP Balances	0.00	
Termination Payments	33,971.73	
Total Distributions		527,297.90
Change in Net Assets for the Year		264,970.55
Net Assets Beginning of the Year		8,541,138.68
Net Assets End of the Year**		8,806,109.23

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

**Net Assets may be limited for actuarial consideration

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>
GREER, Stephen JOHNSTON, Robert	SMITH, Thomas

STATISTICAL DATA

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Actives	34	34	33	32
Average Current Age	38.5	39.5	39.9	39.3
Average Age at Employment	29.9	29.8	30.8	30.9
Average Past Service	8.6	9.7	9.1	8.4
Average Annual Salary	\$51,177	\$48,577	\$45,635	\$44,533

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	2	0	0	0	2	0	0	0	0	0	4
30 - 34	0	0	0	0	0	3	2	0	0	0	0	5
35 - 39	1	0	0	0	1	1	2	0	0	0	0	5
40 - 44	0	1	0	0	1	0	3	0	0	0	0	5
45 - 49	0	0	0	0	0	2	2	1	1	0	0	6
50 - 54	0	0	0	0	1	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	3	0	0	3	9	11	1	2	0	0	32

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/11	33
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	1
f. DROP	1
g. Voluntary withdrawal	0
h. Continuing participants	29
i. New entrants	3
j. Total active life participants in valuation	32

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	21	0	2	1	3	27
b. In	1	0	0	1	0	2
c. Out	0	0	0	0	0	0
d. Number current valuation	22	0	2	2	3	29

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2012-03)

<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. Effective July 1, 2011, annual overtime shall not exceed 300 hours. Additionally, lump sum payments for accrued unused sick and vacation time at the time of termination or retirement shall not exceed the amounts in place on July 1, 2011.
<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.
Benefit	Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.
<u>Vesting</u>	
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.
<u>Death Benefits</u>	
10 or more years of designated Credited Service	Monthly accrued benefit payable to beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.
Less than 10 years of Credited Service	Refund of accumulated contributions.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.
<u>Disability</u>	
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.

Duration

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

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.

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 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)
10/01/12	8,806,109	10,903,362	2,097,253	80.77%	1,425,061	147.17%
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%

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
2012	433,096	333,664	99,466	100.01%
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%

* Frozen per Chapter 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 9/30/12

City and State	28.59%
Plan Members	5.00%
Actuarially Determined Contribution (City and State)	433,096
Contributions made	433,130
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	28 Years (as of 10/1/2010)
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	8.0% (as of 10/1/2010)
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>
9/30/2012	434,307	99.73%	(178,557)
9/30/2011	403,076	98.80%	(179,734)
9/30/2010	365,337	98.82%	(184,584)

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>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>
Actuarially Determined			
Contribution (A)	361,041	398,227	433,096
Interest on NPO	(15,110)	(14,767)	(14,379)
Adjustment to (A)	19,406	19,616	15,590
	-----	-----	-----
Annual Pension Cost	365,337	403,076	434,307
Contributions Made	361,041	398,226	433,130
	-----	-----	-----
Increase in NPO	4,296	4,850	1,177
NPO Beginning of Year	(188,880)	(184,584)	(179,734)
	-----	-----	-----
NPO End of Year	(188,880)	(184,584)	(178,557)

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, non-vested, 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	\$7,282,182
Actives	2,008,188
Member Contributions	<u>568,072</u>
Total	9,858,442
Non-Vested Accrued Benefits	<u>390,620</u>
Total Present Value of Accrued Benefits	\$10,249,062