

TOWN OF PALM BEACH
POLICE OFFICERS RETIREMENT SYSTEM
SIXTY-FORTH ANNUAL ACTUARIAL VALUATION
SEPTEMBER 30, 2010

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Report of September 30, 2010 Actuarial Valuation

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May 3, 2011

The Board of Trustees
Town of Palm Beach Police Officers Retirement System
Palm Beach, Florida

Submitted in this report are the results of the Sixty-Forth Annual Actuarial Valuation of the assets, actuarial present values, and contribution requirements associated with benefits provided by the Town of Palm Beach Police Officers Retirement System. The date of the valuation was September 30, 2010.

Valuation highlights, a summary of valuation results, observations, recommendations and our certification immediately follow this cover letter.

Detailed valuation results are contained in Section B.

The valuation was based upon information, furnished by your Administrator, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retired members and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited. This information is summarized in Section C.

Actuarial cost methods, actuarial assumptions, and definitions of technical terms are contained in Section D.

Governmental Accounting Standards Board Statement No. 25 information is contained in Section E.

Supplement information requested by the State of Florida Division of Retirement is contained in Section F.

The actuaries submitting this statement are Members of the American Academy of Actuaries (M.A.A.A.) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Brad Lee Armstrong
A.S.A., E.A., M.A.A.A.



Randall J. Dziubek
A.S.A., E.A., M.A.A.A.

BLA:bd

SECTION A

**VALUATION SUMMARY, OBSERVATIONS,
RECOMMENDATIONS, AND CERTIFICATION**

Actuarial Valuation Highlights

September 30, 2010

FUNDING OBJECTIVE

The basic funding objective of the Retirement System is to avoid transfer of the cost of benefit obligations between generations of taxpayers. This objective is implemented by contributions sufficient to:

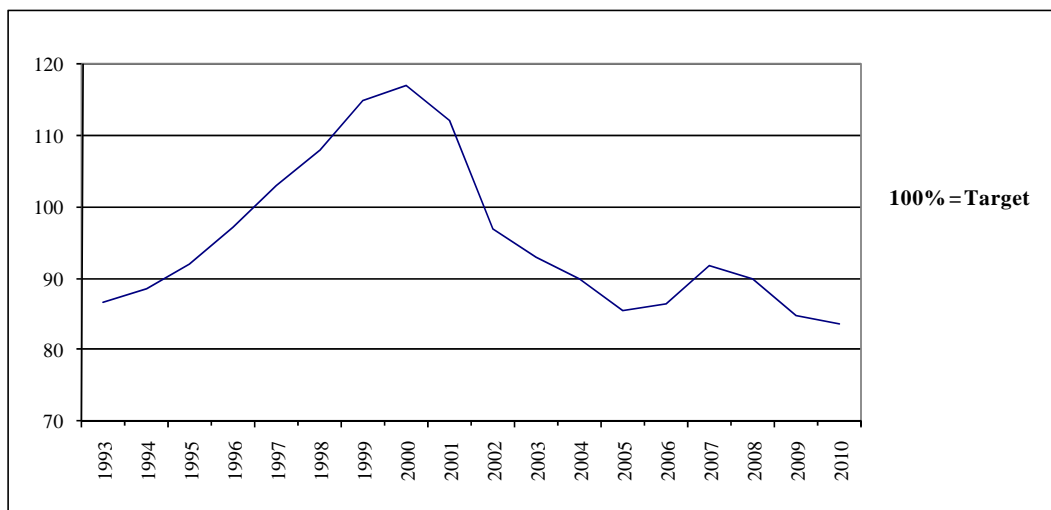
- ◆ pay for costs allocated to the current year on account of service rendered by active non-DROP members in the current year (Normal Cost).
- ◆ pay for costs, in excess of the Funding Value of Assets, allocated to prior years on account of service rendered by participants in prior years (Unfunded Actuarial Accrued Liability) over 30-year closed periods.

The annual actuarial valuation measures the relationship between Retirement System obligations and assets and determines the contribution rates for the ensuing year. The Retirement System is supported by member contributions, casualty insurance premium tax monies received from the State pursuant to the provisions of Chapter 185, Florida Statutes, Town contributions, and investment income from Retirement System assets.

VALUATION RESULTS - FUNDING PROGRESS INDICATORS

The September 30, 2010 actuarial valuation indicates that the actuarial accrued liabilities of the Retirement System, measured in accordance with Statement No. 25 of the Governmental Accounting Standards Board, are 83.6% funded by the Funding Value Assets. This is a decrease from last year's funded ratio of 84.8%. Although not historically referred to, the ratio of the market value of assets to the actuarial accrued liabilities is 72.3%. This is an increase from last year's 70.8%.

Funded Ratio*



* Years prior to 2004 include Fire and years prior to 2000 include General and Ocean Rescue.

VALUATION RESULTS - CONTRIBUTION REQUIREMENT

The percent of active member payroll contribution requirements for the 2011-2012 and 2010-2011 fiscal years are:

	<u>2011-2012</u>	<u>2010-2011</u>
Member portion	6.98 %	6.98 %
Public portion	46.89	45.56
State	3.23	3.37
Town	43.66	42.19
Illustrative \$	\$2,859,131	\$2,828,758

The Town's contribution requirement increased 1.47% of payroll since last year due to experience during the year. Comparative contribution information is shown on page B-4. Composition of the current contribution rate is shown on page B-1.

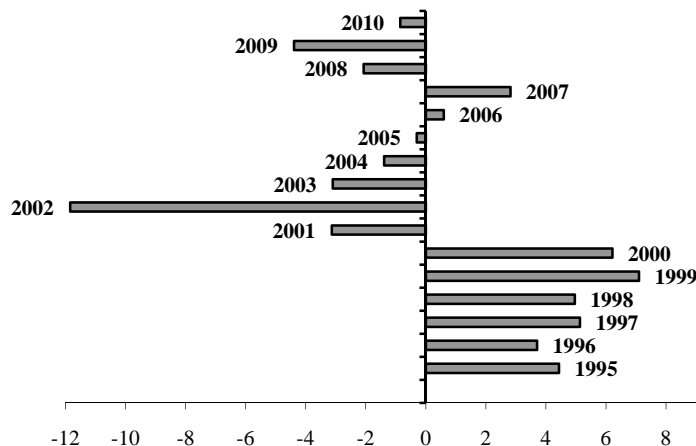
VALUATION RESULTS - LAST YEAR'S EXPERIENCE INDICATORS

The Funding Value of Assets of the Retirement System increased less than anticipated by the long-term investment return assumption during the last year. Note that each year's deviation from assumed investment experience is spread over five years in equal dollar installments to reduce the effect of market volatility on contribution rates (please refer to page B-8). The return on the Funding Value of Assets was 3.2%, net of investment expenses. The projected return was 8.0%.

The aggregate effect of all system experience was a loss of \$876,056, caused mostly by unfavorable recognized investment experience offset substantially by lower than expected salary increases.

Year-to-year experience variations are expected and normal in the operation of a retirement system as members vary their activities and economic conditions change. The expectation is that the plus years and minus years will tend to cancel over 5 to 10 year periods. Of the last 16 years, 8 have produced favorable experience and 8 have produced unfavorable experience. However, the majority of the last 10 years have been unfavorable (see also page B-10).

Experience Gains and Losses*
(Amounts in Millions)



* Years prior to 2004 include Fire.

BENEFIT CHANGES

None.

NEXT YEAR'S EXPERIENCE INDICATORS

Due to the Board's use of a five-year smoothed market asset valuation method, slightly better than expected market returns were only partially recognized, and combined with the scheduled phase-in of the prior four years unrecognized investment income. Subsequently, investment losses are scheduled for the next three years. (Please see page B-8 for details). This will exert significant and sustained upward pressure on future computed employer contribution rates and downward pressure on the funded ratio in the next few reports in the absence of considerable future gains. We recognize that investment markets have recovered somewhat and outperformed expectations for new money invested in the last year, but this has yet to reach a point where assets held for longer periods can be considered recovered.

SUPPLEMENTAL PENSION DISTRIBUTION

There is no supplemental pension distribution payable this year. The accumulated System experience since October 1, 2000 is negative (see page B-10) and therefore, the Florida Statutes restrict this provision.

RECOMMENDATIONS

The Retirement Ordinance requires reserve account transfers from the Employer Reserve Fund to the Retirement Reserve Fund which will establish a match between assets allocated to the Retirement Fund and liabilities associated with current retired lives.

The balance in the Retirement Reserve Fund as of October 1, 2010 following the transfer should be \$46,696,559.

CERTIFICATION

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 Statute. 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.



Brad Lee Armstrong, EA [11-5614]

May 3, 2011

Date

SECTION B

DETAILED VALUATION RESULTS

**Contributions To Finance Benefits of the Retirement System
For the Plan Year Beginning October 1, 2011
To be Contributed During the Fiscal Year Beginning October 1, 2011**

Contributions for	Contributions Expressed as Percents of UnDROPEd Active Member Payroll
Normal Cost	
Service pensions	33.65 %
Disability pensions	0.92
Death in service pensions	0.62
Deferred service pensions	1.46
Refunds of member contributions	<u>0.79</u>
Total Normal Cost	37.44
Unfunded Actuarial Accrued Liability (1)	
Retired members and beneficiaries	0.00
Active and vested terminated members	<u>13.31</u>
Total Unfunded Actuarial Accrued Liability	13.31
Administrative Expenses	3.12
Total Unadjusted Computed Contribution	53.87
Adjustments to Computed Contribution	
FS 112.64(5) Compliance	0.00
Town funding for additional premium tax revenue shortfall in prior fiscal year	0.00
Full funding credit	<u>0.00</u>
Total adjustments	0.00
Total Adjusted Contribution Requirement	53.87
Member portion	6.98
Chapter 185 portion (FY97/98 frozen dollars)	2.53
Additional Premium Tax Revenue	0.70
Town portion	43.66

(1) Please refer to page B-12 for a schedule of financing periods.

FS 112.64 requires that Town contributions be deposited not less frequently than quarterly. FS185.11 requires that Chapter 185 monies be deposited within 5 days of receipt from the State. Member contributions, which are in addition to the Public contributions, must be deposited immediately after each pay period.

Comparative contribution amounts for prior fiscal years are shown on page B-4.

Chapter 99-1, Laws of Florida
Minimum Compliance and Extra Benefits – Chapter 185

	<u>Prior Year</u>	<u>Cumulative</u>
A. Additional premium tax revenues as of 9/30/09	\$118,579	
B. Chapter 185 receipts during fiscal year ending 9/30/10	211,524	\$2,592,280
C. Chapter 185 "frozen" receipts during fiscal year ending 9/30/10	165,389	\$1,984,668
D. Qualifying benefit improvements since Chapter 99-1 effective date	124,574	\$869,562
E. Additional premium tax revenues as of 9/30/2010 A + [B - C - D, not less than 0]	118,579	0

BENEFITS ADOPTED

Minimum Compliance

A. 10 year certain & life normal form (\$9,168 per year).

Extra Benefits

A. 3.25% multiplier, 20 & out (\$115,406 per year), 3.5% multiplier is funded by Town.

Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. We recommend one of the following procedures.

Procedure (1). Contribute dollar amounts at the end of each payroll period which are equal to the Public percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll amounts that are covered compensation.

Procedure (2). Contribute the annual amounts from the following schedule. Included in these amounts is the projected salary increase between the valuation date and the fiscal year in which the contribution will be made. The projection factor used was 1.083624, $(1.055^{1.5})$, which is consistent with the projection used to calculate actuarial liability.

Total Public Contribution Requirement	\$3,070,655
Chapter 185 Premium "frozen"	165,389
Funding from Add. Premium Tax Revenue	46,135
Illustrative Base Town Contribution	\$2,859,131 *

The above amounts are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.64% (.0064) for each month of delay.

* *Chapter 185 Florida Statutes. The base Town contribution amount may need to be increased if the amount received under the provisions of Chapter 185, Florida Statutes, is not sufficient to meet the Total Public Employer Contribution Requirement. CAUTION: If the amount received under the provisions of Chapter 185, Florida Statutes, exceeds \$289,963 during the fiscal year beginning October 1, 2011, the Town may NOT use any of the excess to reduce the Town contribution shown.*

Recommended and Actual Contributions Comparative Statement

Fiscal Year	Valuation Date Sept. 30	Public Contributions (Additional to Member Contributions) % of Payroll Contributions*
77/78	1976	20.42 %
78/79 (a)	1977	23.59
79/80	1978	23.70
80/81	1979	23.95
81/82 (a)	1980	23.79
82/83 (a)	1981	23.35
83/84	1982	22.77
84/85	1983	22.46
85/86	1984	21.99
86/87 (a)	1985	22.23
87/88	1986	21.58
88/89 (a)	1987	23.35
89/90	1988	23.34
90/91	1989	22.56
91/92 (a)	1990	25.00
92/93	1991	24.98
93/94	1992	25.35
94/95 (a)	1993	27.74
95/96	1994	28.24
96/97 (a)	1995	30.60
97/98	1996	29.03
98/99	1997	28.91
99/00 (a)	1998	25.97
00/01 (a)	1999	22.37
01/02 (a)	2000	12.71
02/03 (a)	2001	19.34
03/04	2002	30.74
04/05	2003	33.09
05/06 (a)	2004	35.36
06/07 (a)	2005	42.25
07/08	2006	41.47
08/09	2007	40.32
09/10	2008	43.30
10/11	2009	45.56
11/12	2010	46.89

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

* Contributions were not calculated separately for Police and Fire prior to the 9/30/89 actuarial valuation.

Funding Progress Indicators

We believe an understanding of funding progress and status can be achieved using the following measures:

Indicator (1) **The actuarial present value of gains or losses realized in the operation of the Retirement System** - an experience indicator. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) but sizable year-to-year fluctuations are common. An experience gain can result from assets increasing in value by more than anticipated by the funding program, or by the actuarial accrued liability increasing by less than anticipated by the funding program, or by other favorable combinations of deviation from expected asset and liability changes. Further details on the derivation of the gain (loss) are shown on page B-7.

Indicator (2) **The ratio of the funding value of assets to the actuarial accrued liability** measured in accordance with GASB Statement No. 5 prior to the September 30, 1997 valuation and GASB Statement No. 25 beginning with the September 30, 1997 valuation. The ratio is expected to increase over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

Indicator (3) **The ratio of the unfunded actuarial accrued liability to active member payroll** - an inflation adjusted funding level indicator. In a soundly financed Retirement System, the amount of the unfunded actuarial accrued liability will be controlled and prevented from increasing in the absence of benefit improvements. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease over time but the basic trend may be interrupted by changes in benefit provisions, actuarial assumptions, or methods.

Funding Progress Indicators - Historical Comparisons
(\$ amounts in thousands)

Valuation Date September 30	Indicator (1)		Indicator (2)		Indicator (3)		
	Exper. Gain (Loss)	Funding Value of Assets	AAL	Funded Ratio	Unfunded AAL	Active Member Payroll	Ratio to Payroll
1991	(\$756)	\$46,830	\$53,410	88 %	\$ 6,580	\$ 12,287	54 %
1992	(530)	51,470	58,398	88	6,928	12,712	54
1993 (a)	2,632	57,089	61,692	93	4,603	12,443	37
1994	674	62,651	66,474	94	3,823	12,415	31
1995 (a)	4,437	70,326	72,339	97	2,013	12,543	16
1996	3,707	78,929	77,327	102	(1,602)	13,382	--
1997 #	5,135	88,697	86,042	103	(2,655)	14,092	--
1998 (a)	4,961	99,939	92,703	108	(7,236)	14,549	--
1999 (a)	7,056	113,770	98,866	115	(14,904)	14,422	--
2000 (a)@	6,214	81,196	69,425	117	(11,771)	6,230	--
2001 (a)@	(3,133)	91,992	82,361	112	(9,631)	7,064	--
2002	(11,845)	86,446	88,991	97	2,545	7,769	33
2003	(3,088)	88,091	94,991	93	6,900	8,558	81
2004 (a)&	(1,390)	46,386	51,605	90	5,219	5,070	103
2005 (a)	(330)	48,656	56,996	85	8,340	5,348	156
2006	631	52,614	60,835	86	8,220	5,769	142
2007	2,937	58,486	63,742	92	5,256	5,334	99
2008	(2,075)	61,668	68,525	90	6,857	5,309	129
2009	(4,392)	63,000	74,257	85	11,257	6,187	182
2010	(876)	64,079	76,694	84	12,614	6,043	209

(a) After changes described in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

GASB Statement No. 25 basis.

@ Excludes General and Lifeguard members (shown in separate report beginning 9/30/2000).

& Excludes Fire members (shown in separate report beginning 9/30/2004).

AAL represents actuarial accrued liability. Measured in accordance with GASB Statement No. 5 prior to 1997 and GASB Statement No. 25 beginning in 1997.

**Experience Gain/(Loss)
Year Ended September 30, 2010**

DERIVATION

(1) UAAL at start of year	\$11,256,928
(2) Employer Normal cost for year	2,087,951
(3) Employer contributions	2,491,095
(4) Interest accrued .08 x [(1) + 1/2 ((2)-(3))]	884,428
(5) Expected UAAL before changes (1) + (2) - (3) + (4)	11,738,212
(6) Effect of accounting/timing differences	0
(7) Effect of assumption/method changes	0
(8) Effect of benefit changes	0
(9) Addition to supplemental pension reserve	0
(10) Expected UAAL after changes	11,738,212
(11) Actual UAAL	12,614,268
(12) Gain/(loss) (10) - (11)	(876,056)

UAAL represents unfunded actuarial accrued liability.

Derivation of Funding Value of Retirement System Assets

Year Ended September 30:	2008	2009	2010	2011	2012	2013	2014
A. Funding Value Beginning of Year	\$ 58,485,942	\$ 61,667,825	\$ 63,000,012				
B. Market Value End of Year	54,715,567	52,565,185	55,461,520				
C. Market Value Beginning of Year	62,462,218	54,715,567	52,565,185				
D. Non-Investment Net Cash Flow	(323,893)	(1,063,232)	(924,705)				
E. Investment Income							
E1. Market Total: B - C - D	(7,422,758)	(1,087,150)	3,821,040				
E2. Amount for Immediate Recognition at 8.0%	4,665,920	4,890,897	5,003,013				
E3. Amount for Phased-In Recognition: E1 - E2	(12,088,678)	(5,978,047)	(1,181,973)				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.20 x E3	(2,417,736)	(1,195,609)	(236,395)				
F2. First Prior Year	749,980	(2,417,736)	(1,195,609)	\$ (236,395)			
F3. Second Prior Year	100,856	749,980	(2,417,736)	(1,195,609)	\$ (236,395)		
F4. Third Prior Year	267,031	100,856	749,980	(2,417,736)	(1,195,609)	\$ (236,395)	
F5. Fourth Prior Year	139,725	267,031	100,858	749,979	(2,417,734)	(1,195,611)	\$ (236,393)
F6. Adjustment to Recognize 20% Corridor	0	0	0				
F7. Total Recognized Investment Gain/(Loss)	(1,160,144)	(2,495,478)	(2,998,902)	(3,099,761)	(3,849,738)	(1,432,006)	(236,393)
G. Accelerated Recognition of Investment Income							
H. Funding Value End of Year: A + D + E2 + F7 Not to Exceed 120% of Market Value	61,667,825	63,000,012	64,079,418				
I. Difference between Market & Funding Value	(6,952,258)	(10,434,827)	(8,617,898)				
J. Recognized Rate of Return	6.01%	3.92%	3.20%				
K. Recognized Rate of Investment Expenses	0.49%	0.33%	0.38%				

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, the Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, the Funding Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to Market Value.

Calculation of Supplemental Pension Distribution Amount - Sec. 82-117 as of September 30, 2010*

Supplemental Pension Distribution

Factor (i):	Actuarial present value of future payments to 84 police pension recipients on 9/30/10.	\$ 38,696,009
Factor (ii):	(a) Gross rate of investment return 10/1/09 through 9/30/10 estimated by actuary. If this rate is over 8%, the actual rate used will be as determined by the Board's investment consultant.	7.8%
	(b) Lesser of (a) and 10%	7.8%
Preliminary Distribution Amount (prior to experience gain limitation):	Factor (i) x [(Factor (ii) - 8%) > 0]	0
Expenses:	Expense rate (administrative and investment)	0.795%
	Preliminary Distribution Amount x expense rate	0
Amount Available for Distribution:	(a) Unamortized Balances of Accumulated net experience gains (page B-10)	(15,608,429)
	(b) Unamortized Balances of Accumulated distributions@ (page B-10)	0
	(c) Accumulated net gains less Accumulated distributions [(a) - (b)] > 0	0
	(d) Amount available for distribution#	0

* Pensions are subject to automatic post-retirement cost-of-living adjustments.

@ This amount does not include the supplemental pension distribution, if any, for the current year.

The lesser of Preliminary Distribution Amount less expenses and Accumulated net gains less accumulated distributions.

Supplemental Pension Distribution Accumulated Gain/(Loss) Limitation

Year Ended September 30	Experience Gain/(Loss)*		Addition to Supplemental Pension Distribution Reserve		Net Unamortized Balance
	For Year	Unamortized Balance	For Year	Unamortized Balance	
2001	\$ (1,246,618)	\$ (1,246,618)	\$ 0	\$ 0	\$ (1,246,618)
2002	(5,899,139)	(7,183,779)	0	0	(7,183,779)
2003	(1,178,853)	(8,580,196)	0	0	(8,580,196)
2004	(1,389,753)	(10,221,045)	0	0	(10,221,045)
2005	(330,356)	(10,582,751)	0	0	(10,582,751)
2006	631,390	(10,238,441)	0	0	(10,238,441)
2007	2,937,297	(7,560,975)	0	0	(7,560,975)
2008	(2,074,882)	(9,796,187)	0	0	(9,796,187)
2009	(4,392,377)	(14,400,790)	0	0	(14,400,790)
2010	(876,056)	(15,608,429)	0	0	(15,608,429)

* All sources.

**Unfunded Actuarial Accrued Liability
as of September 30**

	<u>2010</u>	<u>2009</u>
A. Actuarial present value of future benefits	\$90,754,538	\$89,431,975
B. Actuarial present value of future normal costs	14,060,852	15,175,035
C. Actuarial accrued liability	76,693,686	74,256,940
D. Actuarial value of assets	64,079,418	63,000,012
E. Unfunded actuarial accrued liability	12,614,268	11,256,928
F. Funded ratio	83.6%	84.8%

Sources and Financing of Unfunded Actuarial Accrued Liability

Year Established	Initial Years	Years Remaining	Initial Amount	Current Amount	Amort. Factor	Contributions		FS112.64(5) Compliance
						Dollars	Percent-of- Payroll	
Initial Unfunded								
1981	37	8		\$ 5,094,138	7.295236	\$ 698,283	10.66 %	0.00 %
(Gain)/Loss Experience								
1981	30	1	\$ 34,432	7,604	0.988381	7,693	0.12	0.00
1982	30	2	261,226	106,497	1.953882	54,505	0.83	0.00
1983	30	3	152,705	86,500	2.897033	29,858	0.46	0.00
1984	30	4	(134,361)	(94,277)	3.818352	(24,690)	(0.38)	0.00
1985	30	5	(229,740)	(187,501)	4.718343	(39,739)	(0.61)	0.00
1986	30	6	(215,767)	(196,977)	5.597502	(35,190)	(0.54)	0.00
1987	30	7	(186,896)	(185,747)	6.456309	(28,770)	(0.44)	0.00
1988	30	8	(208,238)	(220,803)	7.295236	(30,267)	(0.46)	0.00
1989	30	9	(420,639)	(468,809)	8.114743	(57,773)	(0.88)	0.00
1990	30	10	268,447	310,772	8.915280	34,858	0.53	0.00
1991	30	11	98,527	117,397	9.697286	12,106	0.18	0.00
1992	30	12	(372,116)	(465,629)	10.461189	(44,510)	(0.68)	0.00
1993	30	13	(573,485)	(707,838)	11.207409	(63,158)	(0.96)	0.00
1994	30	14	(68,526)	(87,770)	11.936356	(7,353)	(0.11)	0.00
1995	30	15	(1,626,475)	(2,094,023)	12.648428	(165,556)	(2.53)	0.00
1996	30	16	(1,246,978)	(1,602,134)	13.344017	(120,064)	(1.83)	0.00
1997	30	17	(1,305,017)	(1,667,083)	14.023504	(118,878)	(1.82)	0.00
1998	30	18	(2,647,000)	(3,351,307)	14.687263	(228,178)	(3.48)	0.00
1999	30	19	(2,106,927)	(2,635,955)	15.335656	(171,884)	(2.62)	0.00
2000	30	20	(2,646,612)	(3,263,237)	15.969040	(204,348)	(3.12)	0.00
2001	30	21	1,246,618	1,511,540	16.587762	91,124	1.39	0.00
2002	30	22	5,899,139	7,018,121	17.192161	408,216	6.23	0.00
2003	30	23	1,178,853	1,373,364	17.782570	77,231	1.18	0.00
2004	30	24	1,389,753	1,632,688	18.359312	88,930	1.36	0.00
2005	30	25	330,356	379,156	18.922703	20,037	0.31	0.00
2006	30	26	(631,390)	(706,845)	19.473052	(36,299)	(0.55)	0.00
2007	30	27	(2,937,297)	(3,202,809)	20.010662	(160,055)	(2.44)	0.00
2008	30	28	2,074,882	2,200,814	20.535826	107,169	1.64	0.00
2009	30	29	4,392,377	4,526,344	21.048834	215,040	3.28	0.00
2010	30	30	876,056	876,056	21.549967	40,652	0.62	0.00
Benefit Changes								
1985	30	5	110,220	87,974	4.718343	18,645	0.28	0.00
1990	30	10	1,129,365	1,312,532	8.915280	147,223	2.25	0.00
1995	30	15	416,570	545,919	12.648428	43,161	0.66	0.00
1998	30	18	9,143	11,850	14.687263	807	0.01	0.00
1999	30	19	62,323	79,935	15.335656	5,212	0.08	0.00
2000	30	20	2,835,000	3,588,848	15.969040	224,738	3.43	0.00
2004	30	24	1,153,813	1,355,505	18.359312	73,832	1.13	0.00
2005	30	25	2,438,601	2,798,826	18.922703	147,908	2.26	0.00
Assumption/Method Changes								
1981	30	1	(55,447)	(11,433)	0.988381	(11,567)	(0.18)	0.00
1987	30	7	(636,832)	(626,971)	6.456309	(97,110)	(1.48)	0.00
1995	30	15	411,630	539,446	12.648428	42,649	0.65	0.00
2000	30	20	(924,563)	(1,170,410)	15.969040	(73,292)	(1.12)	0.00
Totals				\$ 12,614,268		\$ 871,196	13.31	0.00

Actuarial Balance Sheet – September 30, 2010

Present Resources and Expected Future Resources

A. Funding Value of System Assets:	
1. Net assets from System financial statements (market value)	\$55,461,520
2. Funding value adjustment	<u>8,617,898</u>
3. Funding value of assets	64,079,418
B. Actuarial Present Value of Expected Future Employer Contributions:	
1. For normal costs	11,432,369
2. For unfunded actuarial accrued liability	<u>12,614,268</u>
3. Totals	24,046,637
C. Actuarial Present Value of Expected Future Member Contributions	<u>2,628,483</u>
D. Total Present and Expected Future Resources	<u><u>\$90,754,538</u></u>

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirants and beneficiaries	\$46,696,559
B. To vested terminated members	155,154
C. To present active members:	
1. Allocated to service rendered prior to valuation date	29,707,100
2. Allocated to service likely to be rendered after valuation date	<u>14,060,852</u>
3. Totals	43,767,952
D. Reserve for Additional Premium Tax Revenues	118,579
E. Reserve for Employer Contributions	16,294
F. Reserve for supp. pens. dist. - 13th check	0
G. Total Actuarial Present Value of Expected Future Benefit Payments	<u><u>\$90,754,538</u></u>

SECTION C

**SUMMARY OF BENEFIT PROVISIONS AND
VALUATION DATA SUBMITTED BY THE
RETIREMENT SYSTEM**

Summary of Benefit Provisions (September 30, 2010)

NORMAL RETIREMENT:

Eligibility - 20 or more years of service, regardless of age; or, age 50 with 10 or more years of service; or, members with at least 10 years of service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Pension Amount -

Average final compensation multiplied by the greater of

- a) 3.5% of per year of credited service to a maximum of 25 years, or
- b) 2.0% of per year of credited service to a maximum of 50 years.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death Benefit After Retirement heading.

AVERAGE FINAL COMPENSATION:

Highest 2 consecutive years within the member's last 5 years of credited service.

DROP RETIREMENT:

Eligibility – Same as Normal Retirement, election must be made within 7 years of the date the member first reaches normal retirement eligibility.

Pension Amount – 100% of the member's accrued benefit at the date of election to participate in DROP.

Distributions – Monthly amounts are paid from the Retirement System into self directed member accounts.

DEFERRED RETIREMENT (VESTED TERMINATION BENEFIT):

Eligibility - 10 or more years of service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit.

Pension Amount - Computed as for normal retirement, based upon service and average final compensation at time of termination.

DUTY DISABILITY RETIREMENT:

Eligibility - No age or service requirements.

Pension Amount - Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

NON-DUTY DISABILITY BEFORE RETIREMENT:

Eligibility - 10 or more years of service.

Pension Amount - Computed as for normal retirement.

DUTY DEATH BEFORE RETIREMENT:

Eligibility - No age or service requirements.

Pension Amount - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or an equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retirant's AFC and the aggregate amount paid to children for the month.

NON-DUTY DEATH BEFORE RETIREMENT:

Eligibility - 10 or more years of service.

Pension Amount - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

AUTOMATIC DEATH AFTER RETIREMENT PENSION:

To Surviving Child(ren): 25% of the retirants pension payable to age 18, not to exceed an equal share of 75% of the retirants pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased retirants pension and the aggregate amount paid to any surviving children for the month.

POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS:

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

SUPPLEMENTAL PENSION DISTRIBUTION:

Amount determined on investment return, if any, after expenses, between 8.0% and 10.0% of assets, subject to accumulated gains/(losses) limitation.

MEMBER CONTRIBUTIONS:

6.98% of annual compensation.

PREMIUM TAX MONIES:

A distribution of casualty insurance premium tax monies collected by the State pursuant to Chapter 185, Florida Statute.

TOWN CONTRIBUTIONS:

Actuarially determined amounts which together with member contributions and premium tax monies are sufficient to cover the requirements of the funding objective stated on page A-1.

PRIOR GOVERNMENTAL SERVICE ELSEWHERE:

During the first five years of employment by the Town, the years or fractional parts of years that a member previously served for any other municipal, county, or state government or district may be added to years or fractional parts of years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

PURCHASE OF SERVICE CREDIT:

A vested member who has not purchased service credit under Prior Governmental Service Elsewhere may purchase years or fractional parts of years of service to be added to years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

Summary of Assets (Market Value)

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Cash	\$ 2,544,647	\$ 3,358,866
Accrued interest and dividends	73,880	69,417
Other receivables	105,000	105,000
Investments		
- US government securities	1,452,987	1,643,583
- Corporate bonds and notes	8,374,671	7,607,948
- Domestic fixed income funds	3,330,055	1,340,310
- Common stock	5,026,045	4,193,767
- Equity funds	14,380,154	11,052,755
- Real estate funds	5,793,201	5,924,991
- Alternative investments	14,453,121	17,303,766
Accounts payable	(72,241)	(35,218)
Other	0	0
Total Assets	\$55,461,520	\$52,565,185

Accounting Information Utilized for Valuation

REVENUES AND EXPENDITURES

	<u>Year Ended</u> <u>9-30-2010</u>	<u>Year Ended</u> <u>9-30-2009</u>
Revenues:		
a. Member contributions	\$ 426,895	\$ 422,170
b. Town contributions	2,279,571	2,104,724
c. State contributions (Chapter 185)	211,524	225,628
d. Investment income		
1. Interest and Dividends	535,908	590,542
2. Amortization of premiums/discounts	-	-
3. Gain or (loss) on sales	3,525,600	(1,478,703)
e. Other - Transfer from Old Public Safety Fund	-	-
f. Total revenues	<u>6,979,498</u>	<u>1,864,361</u>
Expenditures:		
a. Refunds of member contributions	14,301	85,510
b. Benefits paid	3,639,601	3,478,322
c. Supplemental pension distribution	-	-
d. Administrative expenses	188,793	251,922
e. Investment expenses	240,468	198,989
f. Total expenditures	<u>4,083,163</u>	<u>4,014,743</u>
Reserve Increase:		
Total revenues minus total expenditures	<u>\$ 2,896,335</u>	<u>\$ (2,150,382)</u>

Accounting Information Submitted for Valuation

RESERVE ACCOUNTS*

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Employees' contributions (Members' Saving Fund):	\$ 4,001,301	\$ 3,467,555
Employer contributions (Employer Reserve Fund):	4,608,506	3,943,098
Retired members and beneficiaries (Retirement Reserve Fund):	46,696,559	45,010,988
Inactive members (Deferred Retirement Fund):	<u>155,154</u>	<u>143,544</u>
Total	\$ 55,461,520	\$ 52,565,185

* *After transfers in accordance with Section 82-82(b) of Retirement Ordinance (please refer to page A-3). All reserve accounts are available for funding.*

Retired Member and Beneficiary Data

Historical Schedule*

Year Ended Sept. 30	Number		Net Increase		End of Year		Average Pensions
	Added	Removed	No.	Annual Pensions	No.	Annual Pensions	
1986	10	3	7	\$ 119,451	148	\$ 1,223,445	\$ 8,267
1987	7	2	5	72,350	153	1,295,794	8,469
1988	13	8	5	92,514	158	1,388,308	8,787
1989	9	6	3	142,425	161	1,530,733	9,508
1990	17	10	7	207,012	168	1,737,745	10,344
1991	7	5	2	145,915	170	1,883,660	11,080
1992	16	11	5	291,355	176	2,175,015	12,358
1993	11	8	3	159,198	179	2,334,213	13,040
1994	21	4	17	441,322	196	2,775,535	14,161
1995	15	8	7	199,472	203	2,975,006	14,655
1996	18	9	9	323,738	212	3,298,744	15,560
1997	13	13	0	127,873	212	3,426,617	16,163
1998	17	8	9	272,820	221	3,699,437	16,740
1999	15	7	8	455,698	229	4,155,135	18,145
2000	16	110 #	(94)	(861,467)	135	3,293,668	24,398
2001	12	9	3	215,455	138	3,509,123	25,428
2002	8	3	5	269,507	143	3,778,630	26,424
2003	1	2	(1)	100,315	142	3,878,945	27,317
2004	4	3	1	172,906	68	1,968,093	28,943
2005	4	1	3	247,724	71	2,215,817	31,209
2006	3	1	2	257,450	73	2,473,267	33,880
2007	7	2	5	503,946	78	2,977,213	38,169
2008	5	2	3	389,364	81	3,366,577	41,563
2009	3	2	1	159,740	82	3,526,317	43,004
2010	2	0	2	172,503	84	3,698,820	44,034

* Prior to the September 30, 2000 valuation, general members were included. Prior to the September 30, 2004 valuation, fire members were included.

Includes 107 general members.

Retired Members and Beneficiaries

Historical Comparison

Valuation Date**	% Incr. in Annual Pensions	No. of Active Per Retired	Pension Payroll as % of Active Payroll
9/30/1991	8.4 %	2.1	14.0
9/30/1992	15.5	1.5	21.5 %
9/30/1993	7.3	1.3	25.2
9/30/1994	18.9	1.2	29.7
9/30/1995	7.2	1.2	32.3
9/30/1996	10.9	1.3	29.5
9/30/1997	3.9	1.4	29.2
9/30/1998	8.0	1.5	27.9
9/30/1999	12.3	1.3	30.8
9/30/2000	(20.7)	1.0	42.9
9/30/2001	6.5	1.0	39.4
9/30/2002	7.7	1.0	38.6
9/30/2003	2.7	1.0	38.1
9/30/2004	(49.3)	1.0	38.8
9/30/2005	12.6	1.0	41.4
9/30/2006	11.6	1.0	42.9
9/30/2007	20.4	0.9	55.8
9/30/2008	13.1	0.8	63.4
9/30/2009	4.7	0.9	57.0
9/30/2010	4.9	0.8	61.2

** Beginning with the 9/30/00 valuation, general and lifeguard are reported in a separate report.
Beginning with the 9/30/04 valuation, fire is reported in a separate report.

Retired Member and Beneficiary Data as of September 30, 2010
By Type of Pension Being Paid

<u>Type of Benefit Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
Age & Service Benefits		
Straight Life	16	\$ 1,070,609
10 Year Certain	19	1,107,305
Joint and Survivor Benefits - Regular	33	1,015,499
Surviving Beneficiaries	10	159,064
Total Age and Service Benefits	<u>78</u>	<u>3,352,477</u>
Duty Disability Benefits		
Straight Life	0	0
10 Year Certain	0	0
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	8,379
Total Duty Disability Benefits	<u>1</u>	<u>8,379</u>
Non-Duty Disability Benefits		
Straight Life	0	0
10 Year Certain	0	0
Joint and Survivor Benefits	0	0
Surviving Beneficiaries	1	14,212
Total Non-Duty Disability Benefits	<u>1</u>	<u>14,212</u>
Death-In-Service Benefits		
Non-Duty Spouse	1	37,942
Total Death in Service Benefits	<u>1</u>	<u>37,942</u>
Active DROP Members	3	285,810
Totals	84	\$ 3,698,820

**Retired Member and Beneficiary Data as of September 30, 2010
(Includes DROP Participants)
Tabulated by Attained Age**

Attained Age	No.	Annual Pensions
25 - 29	1	\$ 37,942
45 - 49	9	787,843
50 - 54	13	955,325
55 - 59	9	405,283
60 - 64	11	414,896
65 - 69	9	387,752
70 - 74	13	388,715
75 - 79	7	139,656
80 - 84	4	49,721
85 - 89	4	63,117
90 - 94	3	37,437
95 - 99	1	31,133
Totals	84	\$3,698,820

Average Age at Retirement: 49.9 years

Average Age Now: 65.4

Vested Terminated Members as of September 30, 2010
Annual Estimated Pensions

Tabulated by Attained Age

Attained Age	No.	Annual Estimated Pensions
40	1	\$23,802
Totals	1	\$23,802

Active and Vested Terminated Members Included in Valuation

Valuation Date September 30	Active Members	Vested		Valuation Payroll	Average		
		Terminated Members			Age	Service	Pay
1996	69	2		\$3,270,239	37.3 yrs.	9.5 yrs.	\$47,395
1997	74	3		3,574,643	37.7	9.4	48,306
1998	76	3		3,718,805	37.2	9.7	48,932
1999	69	3		3,678,581	38.7	10.8	53,313
2000	60	2		3,444,812	38.0	10.1	57,414
2001	62	2		3,959,149	37.8	10.0	63,857
2002	66	2		4,454,577	37.9	9.4	67,494
2003	67	2		4,713,181	38.5	10.0	70,346
2004	70	2		5,069,790	38.3	9.6	72,426
2005	72	1		5,347,947	38.8	9.6	74,277
2006	74	2		5,769,134	38.9	9.0	77,961
2007	71	2		5,333,625	38.9	8.7	75,121
2008	65	2		5,309,135	39.6	8.8	81,679
2009	70	1		6,186,737	39.1	8.5	88,382
2010	68	1		6,043,273	39.9	9.3	88,872

Number Added to and Removed from Active Membership

Year Ended Sept.30	Number Added During Year	Retirement				Disability Retirement A	E	Died-in- Service		Withdrawal		Active Members End of Year
		A			E			A	E	A	E	
		DROP	Other	Totals								
2001	6	2		2	3.5	0.1	0.1	2	2.1	62		
2002	7	1	2	3	7.0	0.1	0.1		2.4	66		
2003	3		1	1	6.2	0.1	0.1	1	2.8	67		
2004	6	1	1	2	9.7	0.1	0.1	1	2.5	70		
2005	7	0	2	2	9.4	0.1	0.1	3	2.8	72		
2006	10	1	2	3	9.7	0.1	0.1	5	2.9	74		
2007	4	3	2	5	10.7	0.1	0.1	2	3.3	71		
2008	4	1	4	5	9.1	0.1	0.1	5	3.0	65		
2009	11	1	0	1	6.5	0.1	0.1	5	2.6	70		
2010	1	1	0	1	6.5	0.1	0.1	2	2.9	68		

A represents actual number.

E represents expected number.

Active Member Data as of September 30, 2010

by Near Age and Years of Service

Near Age	Years of Service to Valuation Date						Totals		
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	3							3	\$ 187,889
25-29	7	1						8	513,749
30-34	2	3						5	375,866
35-39	4	5	5					14	1,260,228
40-44	3	2	5	7	1			18	1,794,573
45-49		5	3	2	3			13	1,280,678
50-54	1		1		1			3	287,504
55-59	1							1	70,081
60+	1	1	1					3	272,705
Totals	22	17	15	9	5			68	\$6,043,273

SECTION D

**ACTUARIAL COST METHOD, ACTUARIAL
ASSUMPTIONS AND DEFINITIONS OF TECHNICAL
TERMS**

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for your valuation is known as the individual entry-age actuarial cost method, and has the following characteristics:

- The annual normal cost for each individual active member is sufficient to accumulate the value of the member's pension at time of retirement or at DROP election, if earlier.
- Each annual normal cost is a constant percentage of the member's year-by-year projected pensionable compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed active status exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The unfunded actuarial accrued liability was financed as a level percent of active member payroll over varying periods of 1 to 30 years. Please refer to page B-12 for a schedule of financing periods.

The characteristics of this method of financing the unfunded actuarial accrued liability are shown on page D-2 using the single equivalent amortization period.

Member payroll was assumed to increase 5.5% a year offset by members entering the DROP, for the purpose of determining the level percent contributions (except as required by F.S. 112.64 (5)). This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values. Expressing contributions, as on page B-1, as a percent of active member payroll excluding DROP members may cause fluctuations due to the level of participation in the DROP.

UAAL Amortization Schedule*

Year	Investment Assumption 8.00%	Inflation Assumption 5.50%	
	Payroll	UAAL Balance	Payment
1	\$ 6,043,273	\$ 12,614,268	\$ 585,347
2	6,375,653	12,998,580	617,541
3	6,726,314	13,379,271	651,506
4	7,096,261	13,754,161	687,339
5	7,486,556	14,120,793	725,143
6	7,898,316	14,476,402	765,026
7	8,332,724	14,817,887	807,102
8	8,791,023	15,141,776	851,493
9	9,274,530	15,444,191	898,325
10	9,784,629	15,720,809	947,733
11	10,322,783	15,966,815	999,858
12	10,890,536	16,176,861	1,054,850
13	11,489,516	16,345,009	1,112,867
14	12,121,439	16,464,679	1,174,074
15	12,788,118	16,528,586	1,238,649
16	13,491,465	16,528,676	1,306,774
17	14,233,495	16,456,052	1,378,647
18	15,016,338	16,300,898	1,454,472
19	15,842,236	16,052,392	1,534,468
20	16,713,559	15,698,613	1,618,864
21	17,632,805	15,226,444	1,707,902
22	18,602,609	14,621,457	1,801,836
23	19,625,753	13,867,802	1,900,937
24	20,705,169	12,948,068	2,005,489
25	21,843,954	11,843,152	2,115,791
26	23,045,371	10,532,101	2,232,159
27	24,312,866	8,991,948	2,354,928
28	25,650,074	7,197,534	2,484,449
29	27,060,828	5,121,308	2,621,094
30	28,549,174	2,733,124	2,765,254
31	30,119,378	0	0

* This is an illustrative schedule assuming the unfunded liability is amortized over 30 years.

Actuarial Assumptions Used for the Valuation

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future Plan activities (actuarial assumptions) to the benefit provisions and people information of the System, using the actuarial cost method described on page D-1.

The principal areas of activity which require assumptions are:

- long-term rates of investment return to be generated by the assets of the System
- patterns of pay increases to members
- rates of mortality among members, retirants and beneficiaries
- rates of withdrawal of active members
- rates of disability among active members
- the age patterns of actual retirement

In a valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - a period of time which can be as long as a century.

Actual activities of the system will not coincide exactly with assumed activities due to the nature of the activities. Each valuation provides a complete recalculation of assumed future activities and takes into account the effect of differences between assumed and actual activities to date. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time-to-time one or more of the assumptions are modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

The assumptions regarding the INVESTMENT RETURN rate, INFLATION rate, REAL INVESTMENT RETURN rate, and SALARY INCREASE rates were revised effective September 30, 1987. These assumptions are used, in combination with the other assumptions, to (i) determine the present value of amounts expected to be paid in the future and (ii) establish rates of contribution which are expected to remain relatively level as a percent of active member payroll.

INVESTMENT RETURN. 8% per annum compounded annually, net of investment expenses.

INFLATION. 5% per annum, compounded annually. This is the rate at which growth in the supply of money and credit is assumed to exceed growth in the supply of goods and services. It may be thought of as the rate of depreciation of the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. The recent inflation rate, as measured by the Consumers Price Index, has been:

	Year Ended September 30					
	2010	2009	2008	2007	2006	Average for Period
Actual	1.1%	(1.3)%	4.9%	2.8%	2.1%	1.9%
Assumed	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

REAL INVESTMENT RETURN. 3% per annum, compounded annually net of investment expenses. This is the rate of return assumed to be produced by investing a pool of assets in an inflation-free environment. Recent real investment return for the Retirement System has been:

	Year Ended September 30					
	2010	2009	2008	2007	2006	Average for Period
Total Rate of Return	3.2%	3.9%	6.0%	11.5%	8.4%	6.6%
less investment expenses	0.4	0.3	0.5	0.5	0.5	0.4
Net Rate of Return	2.8	3.6	5.5	11.0	7.9	6.2
less inflation rate	1.1	(1.3)	4.9	2.8	2.1	1.9
Net Real Rate of Return	1.7	4.9	0.6	8.2	5.8	4.2
Assumed Real Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Assumed Net Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

The total investment return rate was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is actual realized investment income plus market value adjustments, A is the beginning of year asset value, and B is the end of year asset value.

The preceding investment return rates reflect the particular characteristics of this Retirement System and should not be used to measure an investment advisor's performance or for comparison with other retirement systems. Such use will usually mislead.

SALARY INCREASES. Employee salaries are assumed to increase between the date of hire and date of retirement or DROP election, if earlier. Salary increases occur in recognition of (i) individual merit and seniority, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) competition from other employers for personnel. A schedule of assumed rates of increase in individual salaries for sample ages follows:

Attributable to:	Annual Rates of Salary Increase for Sample Ages				
	20	30	40	50	60
Merit & Seniority	3.8 %	2.7 %	2.1 %	1.1 %	0.2 %
General Increase in Wage Level Due to:					
Inflation	5.0	5.0	5.0	5.0	5.0
Other Causes	0.5	0.5	0.5	0.5	0.5
Totals	9.3 %	8.2 %	7.6 %	6.6 %	5.7 %

A schedule of recent salary change experience, as measured by average reported pay, follows:

	Year Ended September 30					Average 10 Year
	2010	2009	2008	2007	2006	
% Change: Actual*	1.1 %	16.4 %	11.6 %	(0.7) %	11.0 %	
Assumed	7.6	7.7	7.6	7.7	7.7	
% Change in Total Payroll	(2.3)	16.5	(8.0)	(7.5)	7.9	6.3 %

* Based on members who were active throughout the year.

In order to achieve the funding objective of a contribution rate which remains level as a percent-of-payroll, the total rate of investment return must exceed the rate of average increase in salaries by an amount equal to the assumed real investment return rate. The following schedule illustrates the recent history of the relationship between total investment return and average pay changes.

	Year Ended September 30					Average
	2010	2009	2008	2007	2006	5 Year
Net Rate of Investment Return	3.2%	3.9%	6.0%	11.5%	8.4%	6.6%
Rate of Change in Average Pay	1.1	16.4	11.6	(0.7)	11.0	7.8
Difference: Actual	2.1	(12.5)	(5.6)	12.2	(2.6)	(1.2)
Target	3.0	3.0	3.0	3.0	3.0	3.0

MORTALITY TABLE. The 1983 Group Annuity Mortality Table, set back 6 years for females.

Sample Ages	Value of		Future Life	
	\$1 Monthly for Life		Expectancy (Years)	
	Men	Women	Men	Women
50	\$132.10	\$139.24	29.18	34.68
55	124.57	133.42	24.82	30.08
60	115.04	126.21	20.64	25.68
65	103.26	117.13	16.69	21.46
70	90.18	105.77	13.18	17.45
75	76.40	92.85	10.15	13.84
80	62.65	79.21	7.64	10.72

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of active members remaining in employment.

Sample Ages	Years of Service	Percent Separating Within Next Year
ALL	0	15.00 %
	1	10.00
	2	8.00
	3	7.00
	4	6.00
20	5 & Over	5.00
25		5.00
30		4.50
35		3.55
40		1.45
45		0.75
50		0.75
55		0.75
60		--

Rates of Disability. This assumption measures the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled Within Next Year	
	Men	Women
20	0.07 %	0.03 %
25	0.09	0.05
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76
60	1.53	1.10
65	1.65	0.98

The mortality table was set forward 10 years from the age at disability projecting disability costs. 50% of disabilities were assumed to be duty related.

Rates of Retirement. This assumption measures the probabilities of eligible members retiring or electing DROP during the next year.

Age & Service		Rule of 65		Service Based	
Retirement	Percent	Age Plus	Percent	Service	Percent
Ages	Retiring	Service	Retiring	Based	Retiring
50	70%	65	70%	20	70%
51	70	66	70	21	70
52	70	67	70	22	70
53	70	68	70	23	70
54	70	69	70	24	70
55	70	70	100	25	100
56	70				
57	70				
58	70				
59	70				
60	100				

**Summary of Assumptions Used
September 30, 2010
Miscellaneous and Technical Assumptions**

Vested members who terminate with a benefit worth less than 100% of their own accumulated contributions were assumed to elect a refund and forfeit their vested benefit.

Administrative expenses are reimbursed on a retrospective basis by an addition to the Town contribution rate.

Active Member Group Size. The number of active members was assumed to remain constant. This is unchanged from previous valuations.

Earnings reported for the actuarial valuation include all amounts included in average earnings for benefit purposes.

Investment expenses are an offset against total investment income.

Marriage Proportion. 90% of active members who meet the age and service requirements for pre-retirement survivor benefits are assumed to be married. In each case the male was assumed to be 3 years older than the female.

Lump sum payments for unused accumulated leave time are excluded in determining pension amounts pursuant to the Town of Palm Beach Code of Ordinances.

Pay Increase Timing. Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

Decrement Timing. Decrements of all types are assumed to occur mid-year.

Eligibility Testing. Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Benefit Service. Exact fractional service is used to determine the amount of benefit payable.

Decrement Relativity. Decrement rates are used directly, without adjustment for multiple decrement table effects.

Decrement Operation. Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.

Normal Form of Benefit. The assumed normal form of benefit is 75% joint & survivor for married members and the 10-year certain form for single members.

Loads. None.

Incidence of Contributions. Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

Definitions of Technical Terms

ACCRUED SERVICE. Service credited under the System which was rendered before the date of the actuarial valuation.

ACTUARIAL ACCRUED LIABILITY. The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs. Also referred to as "accrued liability" or "past service liability."

ACTUARIAL ASSUMPTIONS. Estimates of expected future experience with respect to rates of mortality, disability, separation, retirement, rate or rates of investment income and salary increases. Decrement estimates (rates of mortality, disability, separation and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic estimates (salary increases and investment income) consist of the underlying rates in an inflation-free environment plus a provision for a long-term average rate of inflation.

ACTUARIAL COST METHOD. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal cost and actuarial accrued liabilities. Sometimes referred to as the "actuarial valuation cost method."

ACTUARIAL EQUIVALENT. A single amount or series of amounts of equal actuarial present value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

ACTUARIAL PRESENT VALUE. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment. Also referred to as "present value."

AMORTIZATION. Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying it off with a lump sum payment.

EXPERIENCE GAIN (LOSS). The difference between actual actuarial costs and assumed actuarial costs -- during the period between two valuation dates.

FUNDING VALUE OF ASSETS. Also referred to as actuarial value of assets, smoothed market value of assets, or valuation assets.

Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased-in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, valuation assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, valuation assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, valuation assets will become equal to market value.

NORMAL COST. The actuarial cost allocated to the current year by the actuarial cost method. Sometimes referred to as "current service cost."

UNFUNDED ACTUARIAL ACCRUED LIABILITIES. The difference between actuarial accrued liabilities and the actuarial value of System assets. Sometimes referred to as "unfunded past service liability," "unfunded accrued liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liability. It arises each time new benefits are added and each time an experience loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to control the amount of unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).

SECTION E

CERTAIN DISCLOSURES REQUIRED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

GASB Statement No. 25
Required Supplementary Information
(\$ Amounts in Thousands)

Schedule of Funding Progress*

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry-Age--	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
2001 (a)	\$ 91,992	\$82,361	111.7	\$(9,631)	\$7,064	- %
2002	86,446	88,991	97.1	2,545	7,769	32.8
2003	88,091	94,991	92.7	6,900	8,558	80.6
2004 (a)	46,386	51,605	89.9	5,219	5,070	102.9
2005 (a)	48,656	56,996	85.4	8,340	5,348	155.9
2006	52,614	60,835	86.5	8,221	5,769	142.5
2007	58,486	63,742	91.8	5,256	5,334	98.5
2008	61,668	68,525	90.0	6,857	5,309	129.2
2009	63,000	74,257	84.8	11,257	6,187	181.9
2010	64,079	76,694	83.6	12,615	6,043	208.8

Schedule of Employer Contributions*

Fiscal Year Ending Sept. 30	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Payroll	Actual Dollar Contribution	Percentage Contributed
2003 (a) #	20.67 % (a)	\$1,582	\$1,347	100 %
2004 #	32.32	2,721	2,510	100
2005	34.73	1,690	1,622	100
2006 (a)	35.36	1,943	2,010	100
2007 (a)	42.25	2,382	2,399	101
2008	41.47	2,593	2,596	100
2009	40.32	2,330	2,330	100
2010	43.30	2,491	2,491	100
2011	45.56	3,054		
2012	46.89	3,071		

(a) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods.

* Beginning with valuation date September 30, 2000, excludes General and Ocean Rescue members.
Beginning with valuation date September 30, 2004, excludes Fire members.

The difference between the computed contribution and the actual contribution was funded by the Reserve for Employer Contributions.

GASB Statement No. 25 Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	Sixty-Forth
Actuarial cost method	Entry-Age
Amortization method	Level percent-of-payroll
Remaining amortization period*	1 - 30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	9.8% to 6.2%
Includes inflation and other general increases at	5.5%
Cost-of-living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Other adjustments have been made periodically.

Membership of the plan consisted of the following at September 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	84
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	
Vested	29
Non-vested	39
Totals	153

* The periods are in compliance with Florida Statutes and Actuarial Standards of Practice.

SECTION F

STATE REQUIRED DATA

Actuarial Present Value of Accrued Benefits
(\$ Amounts in Thousands)

	September 30, 2010	September 30, 2009
(i) Actuarial present value of active member benefits:		
Service retirement	\$41,460	\$41,778
Vested termination benefits	1,054	1,093
Disability retirement	603	651
Survivor benefits (pre-retirement)	450	475
Termination benefits - refunds	142	145
Totals	43,709	44,143
(ii) Actuarial present value of terminated vested members	155	144
(iii) Actuarial present value of retired member & beneficiary	46,697	45,011
(iv) Reserves	194	135
(v) Total actuarial present value of future benefit payments	90,755	89,432
(vi) Present value of active member future payroll	37,657	40,558
(vii) Present value of future active member contributions	2,628	2,831
(viii) Active member accumulated contributions	4,001	3,468
(ix) Actuarial accrued liability using projected unit credit funding method	74,931	72,426

**Summary of Valuation Results in State Format
(\$ Amounts in Thousands)**

	September 30, 2010	September 30, 2009
Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35)		
(i) Vested accrued benefits		
Retired members and beneficiaries	\$46,697	\$45,011
Terminated members	155	144
Active members (includes non-forfeitable accum. member contributions)	19,498	16,990
Total	66,350	62,145
(ii) Non-vested accrued benefits	3,177	3,529
(iii) Total actuarial p.v. of accrued benefits	69,527	65,674
(iv) Actuarial p.v. of accrued benefits at begin. of year	65,674	61,255
(v) Changes attributable to:		
Amendments	-	-
Assumption change	-	-
Operation of decrements	7,493	7,897
Benefit payments	(3,640)	(3,478)
Expenses	-	-
(vi) Net change	3,853	4,419
(vii) Actuarial p.v. of accr. benefits at end of year	69,527	65,674

Reconciliation of Membership Data

A. Active Members

1. Number Included in Last Valuation	70
2. New Members Included in Current Valuation	1
3. Non-Vested Employment Terminations	(2)
4. Vested Employment Terminations	
5. Service Retirements	
6. DROP Retirements	(1)
7. Disability Retirements	
8. Deaths	
9. Other (Transfer)	
10. Number Included in this Valuation	<u>68</u>

B. Terminated Vested Members

1. Number Included in Last Valuation	1
2. Additions from Active Members	
3. Lump Sum Payments	
4. Payments Commenced	
5. Deaths	
6. Other	<u> </u>
7. Number Included in this Valuation	1

C. Service Retirees, Disability Retirees and Beneficiaries

1. Number Included in Last Valuation	82
2. Additions from Active Members	1
3. Additions from Terminated Vested Members	
4. Removed (Deaths, Benefit Termination, Data Corrections)	
5. Added (Beneficiaries/Data Corrections)	<u>1</u>
6. Number Included in this Valuation	84

**Number Eligible/Number Electing Normal Retirement
During Year Ended September 30, 2010**

Age	Number Eligible	Number Electing DROP	Normal Retirement Regular
43	1		
45	1		
46	1		
48	1	1	
49	1		
53	1		
62	1		
64	1		
Totals	8	1	0

May 3, 2011

Mr. William P. Hanes
Pension Administrator
William P. Hanes Consulting, Inc.
249 Royal Palm Way – Room 301
Palm Beach, Florida 33480

Dear Bill:

Please find enclosed fifteen copies of the Sixty-Forth Annual Actuarial Valuation report of the Town of Palm Beach Police Officers Retirement System.

One copy should be sent, within 60 days to:

Division of Retirement
Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, Florida 32315-9000

Sincerely,



Brad Lee Armstrong ASA, EA, MAAA

BLA:bd
Enclosures

cc: Goldstein Schechter Koch

Goldstein Schechter Koch
4000 Hollywood Blvd., Suite 215
South Hollywood, FL 33021