Town of Palm Beach, Florida

DRAFT

Report on the Review of the Town's Retirement Systems:

- General Employees
- Firefighters
- Police Officers

Prepared as of October 30, 2009

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TRANSMITTAL LETTER

October 30, 2009

Town of Palm Beach
951 Old Okeechobee Road, Suite D
West Palm Beach, Florida 33401

Dear Mayor and Town Council Members:

We are pleased to submit our Report on the Review of the Town's Retirement Systems:

- General Employees
- Firefighters
- Police Officers.

The purpose of this report is to present our findings on our review of all three of the Town's pension plans and to develop options for plan design changes and cost savings. The report also includes a review of the local government market to compare the Town's current pension and retiree health benefits and measure the impact of the various options on the competitiveness of the Town's benefit package.

Our review is based on information provided by the Town, the retirement systems and Gabriel, Roeder, Smith, the actuary for the retirement systems. We would like to thank the Town staff, the pension plans administrators, GRS and Mr. James Linn for their invaluable assistance in providing us the material and calculations requested and required to perform our review.

Future actuarial results may differ significantly from the results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

TRANSMITTAL LETTER

To the best of our knowledge, this report is complete and accurate. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Our views are subject to review by counsel.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Jose I. Fernandez, ASA, FCA, MAAA, EA
Principal and Consulting Actuary

The Town of Palm Beach (Town) has three pension plans -

- Town of Palm Beach General Employees Retirement System (General Employees Plan)
- Town of Palm Beach Police Officers Retirement System (Police Officers Plan), and
- Town of Palm Beach Firefighters Retirement System (Firefighters Plan).

In its Request for Proposal, the Town defined our assignment by stating "the scope of the work would include a thorough review of all three of the Town's pension plans develop options for cost savings, provide detailed information on the estimated amount of cost savings for each option and conduct a review of the local government market to measure the impact of the various options on the competitiveness of the Town's benefit package. Such alternatives could include modifications to the Town's current retirement plans, and/or a new plan for future employees." The Town has also asked us to review the retiree health benefits offered by the Town and to compare them to the current marketplace.

The recent market downturn has put pressure on employer contribution rates just when the economy shrinks the Town's revenue. This combination of events has driven sponsors of pension plans to analyze alternatives to make sure the benefits promised to current members are secure while not overburdening the tax payers in the short-term.

The pension plan funding debate naturally centers on those financing the benefits, the taxpayers. For the Town of Palm Beach, there is no doubt the current and projected increases in pension plan contribution rates will have a significant impact in the short-term on the Town's taxpayers.

Long-term it is important the Town consider –

- Do current pension benefits meet employer and employee objectives and are they affordable in the long-term?
- What is an "affordable" pension benefit for the Town and its employees?
- If long-term costs cannot be met, benefits will have to be reduced.
- The bulk of benefit reductions will apply to new hires; as a result the reduction in the Town's contribution rate will not be immediate, but will take a number of years to fully realize.

Ultimately, the goals for the Town and the members of the plan are –

- To maintain sustainable and fiscally sound pension plans.
- To keep Town contributions affordable.
- To keep employee contributions affordable.

- To reduce benefits as minimally as possible.
- To maintain competitive benefits.

As outlined below, we have reviewed numerous alternatives to funding methods and assumptions, benefits and contributions for the Town's three pension plans. Please note we are not advocating benefit reductions. Our role is to lay out the various alternatives and their short and long-term impact. We are presenting these options to help in the deliberations regarding the future of the retirement systems. We trust careful evaluation of the impact on costs and benefits of a wide range of options will assist policy makers in deciding on pension changes.

Our analysis includes different types of pension plans -

- Defined benefit (DB) plan (e.g., current Town plans) with guaranteed lifetime benefit at retirement.
- Defined contribution (DC) with retirement income equal to whatever the member's accumulated assets can provide over the retiree's lifetime.
- Hybrid plan, a combination of a defined benefit and a defined contribution plan.

The ultimate goal of any retirement program is to provide adequate retirement benefits to career employees when they reach normal retirement age. For all pension plans, whether defined benefit, defined contribution or hybrid, the basic retirement funding equation is:

$$C + I = B + E$$

Where:

- C = employer and member contributions
- I = investment income
- B = benefits paid
- E = expenses paid from the fund, if any.

The underlying message is that dollars in have to equal dollars out. In order to keep the equation in balance, if projected plan assets are not sufficient to cover promised benefits, then contributions have to be increased, benefits reduced, or a combination of both.

The Town's current approach to retirement benefits appears to be effective in recruiting, retaining and allowing employees to retire with adequate benefits. However, based on the current cost levels, shown in the table below, the Town is concerned that long term the costs of the plans are not sustainable without changes.

	Current Contribution Rates Fiscal Year 2009/2010		
	General Employees	**Firefighters**	**Police Officers**
Total Contribution Rate	25.18%	54.32%	50.28%
Member Rate	6.47%	6.82%	6.98%
State Contribution Rate	0.00%	5.54%	3.99%
Town Rate	**18.71%**	**41.96%**	**39.31%**
	Current Contribution Amounts Fiscal Year 2009/2010		
	General Employees	**Firefighters**	**Police Officers**
Town Contribution	**$2,507,174**	**$2,647,210**	**$2,261,552**

We have developed a menu of options for potential pension benefit changes ranging from moderate to aggressive. In developing the alternatives we have kept in mind the goals of designing plans that are sustainable and affordable and minimize the impact on benefits for current members. The options reflect input from the Town, the Board members and Administrators of the plans, and plan members. The options analyzed provide specific targets so as to be able to provide expected contribution rate changes for discussion purposes. However, keep in mind there are innumerable variations of possible plan changes. Additional options can be developed and analyzed after all parties have had a chance to review this report.

Below we present four options with moderate to significant long-term cost impact. We have assumed the Town would still be able to offset its fire and police pension plan contributions by the Florida premium tax distributions under any of the four options.

Option	Employees Affected	Impact	
		Recruit / Retain / Retirement	Eventual Reduction Town Contribution Rate
Change Married Form of Payment			
Current members - 35% joint & survivor (J&S); *New hires* – Single life	General	Moderate	General = 2.85%
Current members - 35% J&S; *New hires* – 10 years certain & life	Fire Police	Moderate	Fire = 3.70% Police = 3.64%
Change COLA			
Current members - 1% COLA for active members not eligible to retire by 10/1/2010 deferred 5 years; *New hires* – No COLA	General Fire Police	Moderate to Significant	General = 3.01% Fire = 7.86% Police = 7.46%
Multiplier Future Service			
Current members & New hires - 2%	General	Moderate to Significant	General = 5.14%
Current members & New hires – 2.5%	Fire Police		Fire = 10.43% Police = 10.53%
New Member Contributions	General	Moderate	General = 3.42%
New hires – 10% member contributions	Fire Police		Fire = 3.18% Police = 3.02%

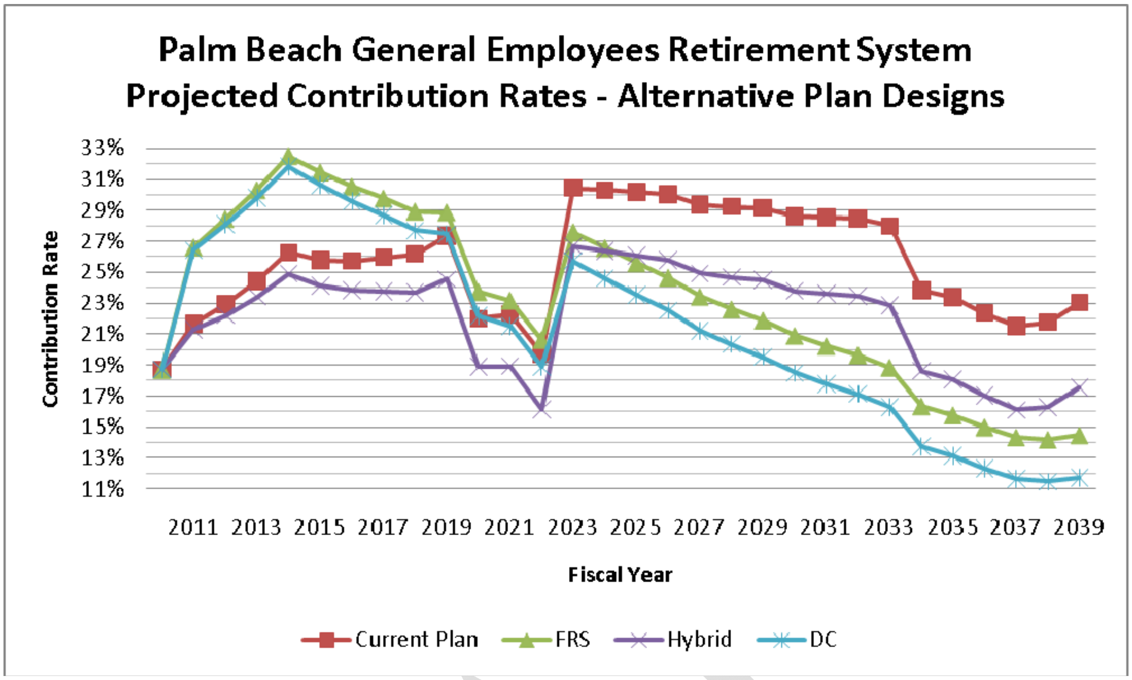
In the table below we present the long-term cost impact of three options that more aggressively change the plan design. The changes under these options would apply to new hires only and would result in the loss of State premium tax distribution as an offset to Town contributions.

		Impact	
Option	**Employees Affected**	**Recruit / Retain / Retirement**	**Eventual Reduction Town Contribution Rate**
Florida Retirement System (FRS) – New Hires	General Fire Police	Significant	General = 8.56% Fire = 13.96% Police = 14.23%
Hybrid Plan –New Hires			
1.25% DB multiplier; 4% employee and 2% employer DC contribution	General	Moderate	General = 5.51%
1.50% DB multiplier; 4% employee and 2% employer DC contribution	Fire Police	Significant	Fire = 15.01% Police = 17.68%
Defined Contribution Plan – New Hires 10% Town contribution and 7% member contribution	General Fire Police	Significant	General = 11.32% Fire = 27.88% Police = 25.15%

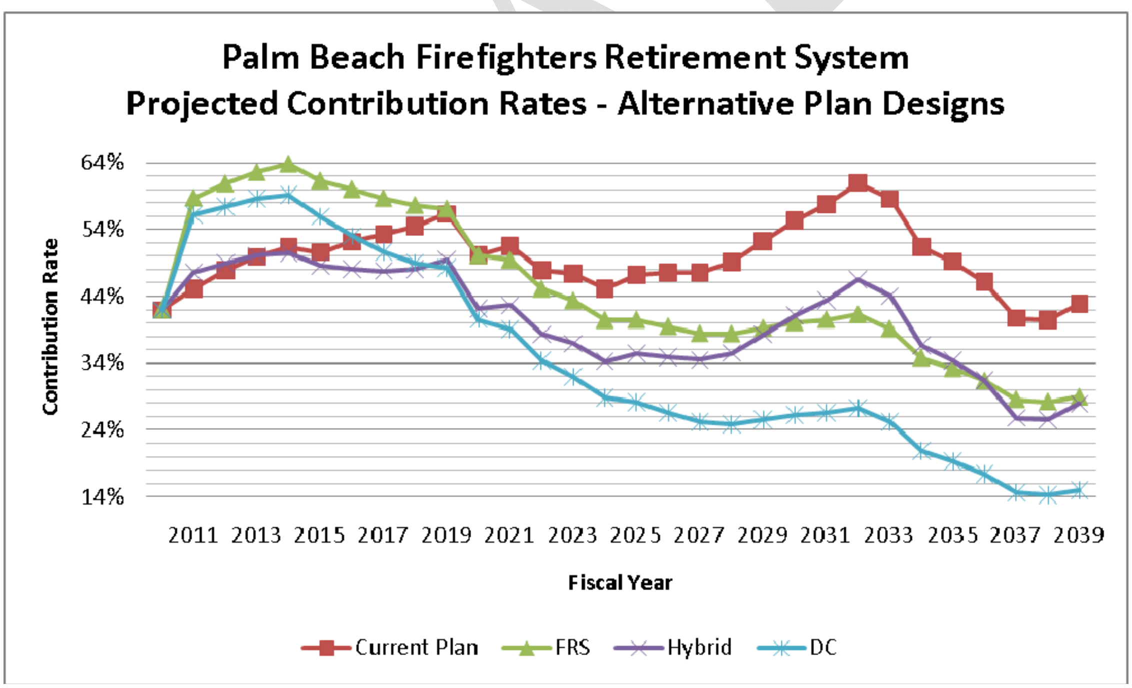
Please note that although in the long-term these options result in significant Town cost reductions, in the first up to 12 years after implementation these options (except for the hybrid plan) are likely to increase the Town's required contribution. The increases in the Town's contributions in the shorter term are primarily due to the accelerated amortization of the unfunded actuarial accrued liability. Additional total contributions in years one through 12 would range from approximately $5.7 to $7.9 million for general employees, $3.2 to $6.2 million for fire and $1.4 to $3 million for police.

In the Pension Plan Alternatives and Member Contributions sections of the report we present greater detail on the impact of the possible changes outlined above.

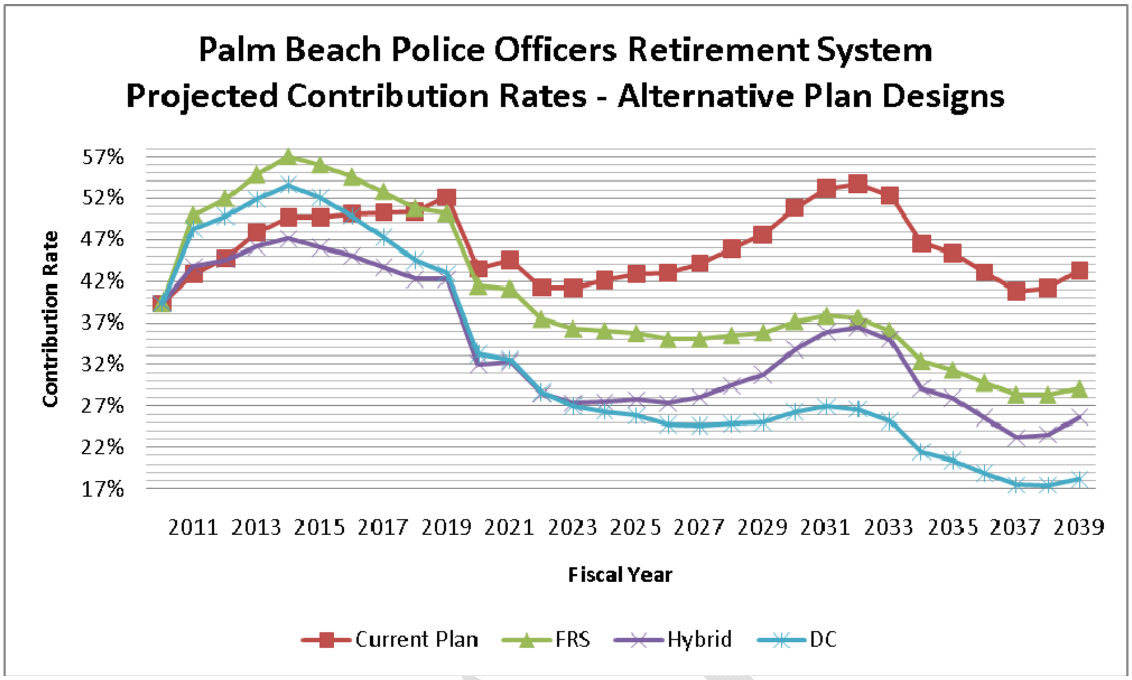
The graphs below compare the projected contribution rates for 30 years for the current plan and the three options presented above. The increases in contribution rates after 2008 reflect the gradual recognition of the market losses for fiscal years 2008 and 2009.



Palm Beach General Employees Retirement System
Projected Contribution Rates - Alternative Plan Designs
Contribution Rate
33%
31%
29%
27%
25%
23%
21%
19%
17%
15%
13%
11%
2011 2013 2015 2017 2019 2021 2023 2025 2027 2029 2031 2033 2035 2037 2039
Fiscal Year
Current Plan
FRS
Hybrid
DC



Palm Beach Firefighters Retirement System
Projected Contribution Rates - Alternative Plan Designs
Contribution Rate
64%
54%
44%
34%
24%
14%
2011 2013 2015 2017 2019 2021 2023 2025 2027 2029 2031 2033 2035 2037 2039
Fiscal Year
Current Plan
FRS
Hybrid
DC



Please note the following on our study:

- We have consulted with James Linn, Esq., on legal issues related to changing benefits and contributions for current members, moving to FRS and Florida premium tax distributions. Our views on these issues are subject to review by counsel.

- The starting points for the projections were the September 30, 2008 actuarial valuations of the plans. The actuary for the pension plans (Gabriel, Roeder, Smith (GRS) and Company) prepared the cost estimates for the alternative benefit provisions. We have used the cost estimates prepared by GRS to project the cost impact of the benefit changes analyzed.

- The projected costs reflect the estimated return on market assets for the plans for the year ending September 30, 2009. The estimated returns were based on reports prepared by the investment consultants for the plans. The estimated market returns for the fiscal year 2009 were -1.20% for the Firefighters Plan, -0.69% for the General Employees Plan and -2.00% for the Police Officers Plan.

- Please note we have not prepared separate analysis for the small group of Ocean Rescue employees in the General Employees Plan. Our focus has been on general employees, police officers and firefighters. Although the Town's current contribution rate for Ocean Rescue employees is high (31.42% of pay), their impact on the Town's total pension cost is relatively small (less than 1.5% of the total Town current annual contribution of $7.5 million). We suggest modeling changes for Ocean Rescue employees consistent with the changes, if any, that are ultimately adopted for the other public safety employees.

PENSION PLAN ALTERNATIVES

INTRODUCTION

We have reviewed numerous alternatives for changes in actuarial assumptions and methods and benefit structure. The suggested changes are listed below. The options analyzed provide specific targets so as to be able to provide expected contribution rate changes for discussion purposes. However, keep in mind there are innumerable variations of possible plan changes. Additional options can be developed and analyzed after all parties have had a chance to review this report.

		Consequences	
Alternative		Town Loses Future State Premium Tax Distributions	Other
(1a)	Status quo. No changes to current benefits.	No	
(1b)	No changes to current benefit. Reduce wage inflation by 1%.	No	
(1c)	No changes to current benefits. Projected unit credit actuarial cost method.	No	
(2)	Terminate or freeze current plans; all current and future employees join FRS.	Yes	If plans are terminated, Town is responsible for plan termination liability. Move to FRS is irrevocable. If police/fire plans are terminated, pension boards have significant power to determine how benefits are paid, which could affect cost to Town. If plan is frozen, retirees, survivors and inactive members with vested benefit remain in current pension plans.
(3)	Close current plans to new members and new hires join FRS. Current members may elect to stay in current plans or join FRS.	Yes	Move to FRS is irrevocable. Town's pension costs may be higher for several years.

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		Consequences	
Alternative		Town Loses Future State Premium Tax Distributions	Other
(4a)	Two-tier pension plans with reduced future service multiplier (2% general employees and 2.5% for fire and police) for current members. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(4b)	Two-tier pension plans with reduced 1% COLA for current active members not eligible to retire by 10/1/2010 deferred five years from retirement. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(4c)	Two-tier pension plans with revised normal retirement age for current non-vested members. Age 60 and 10 years of service, or 30 years of service for general employees. Age 55 and 10 years of service, or 25 years of service for fire and police. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.

		Consequences	
Alternative		Town Loses Future State Premium Tax Distributions	Other
(4d1)	Two-tier pension plans with cap of 100 hours of overtime in future service pensionable pay for current members. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions. Would lose premium tax moneys for police.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(4d3)	Two-tier pension plans with cap of 300 hours of overtime in future service pensionable pay for current members. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(4e)	Two-tier pension plans with 35% joint and survivor automatic form of payment for current married members. Reduced benefits alternatives for new hires outlined below.	Maybe, but possibly two tier plan can be structured to continue future premium tax distributions.	For police and fire, reduced future benefits cannot be below Chapter 175/185 minimums in order to possibly maintain premium tax moneys. For police must be agreed to by union (to maintain premium tax moneys). Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.

		Consequences	
Alternative		Town Loses Future State Premium Tax Distributions	Other
(5)	Two-tier pension plans with reduced future benefits for future employees only. Reduced benefits alternatives for new hires outlined below.	Maybe, but reduced future benefits must not be below 1999 level, and police union agrees.	For police and fire, reduced future benefits cannot be below the level of benefits in 1999 in order to possibly maintain premium tax moneys. Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(6a)	Hybrid plan (defined benefit plan with reduced benefits plus defined contribution plan) for new hires. New hires DB plan with 1.25% multiplier for general employees and 1.50% multiplier for fire and police. No other changes to DB plan. New hires DC plan with 4% member contribution and 2% Town contribution.	Maybe, but reduced future benefits must not be below 1999 level, and police union agrees.	For police and fire, reduced future benefits cannot be below the level of benefits in 1999 in order to possibly maintain premium tax moneys. Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(6b)	Hybrid plan (defined benefit plan with reduced benefits plus defined contribution plan) for new hires. New hires DB plan with 1.25% multiplier for general employees and 1.50% multiplier for fire and police. Other changes to DB plan outlined below. New hires DC plan with 4% member contribution and 2% Town contribution.	Maybe, but reduced future benefits must not be below 1999 level, and police union agrees.	For police and fire, reduced future benefits cannot be below the level of benefits in 1999 in order to possibly maintain premium tax moneys. Cannot reduce accrued benefits for current vested and non-vested members. All excess premium tax moneys could go to share plans.
(7)	Defined contribution plan for new hires. 10% Town contribution and 7% member contribution.	Yes	Investment risk shifts from Town to employees.
(8a)	Increase member contributions for current and future members.	No	Town may have to provide some benefit increase to police and fire plans, or, implement a benefit reduction followed by a benefit increase to retain tax premium moneys.

INTRODUCTION

		Consequences	
Alternative		Town Loses Future State Premium Tax Distributions	Other
(8b)	Increase member contributions for future members only.	No	Town may have to provide some benefit increase to police and fire plans, or, implement a benefit reduction followed by a benefit increase to retain tax premium moneys.

The reduced benefits for new hires under options (4a), (4b), (4c), (4d1), (4d3), (4e), (5) and (6b) are outlined below. Under the hybrid plan scenario (6b), the benefit multipliers would be 1.25% for general employees and 1.50% for firefighters and police officers.

Benefit Provision		Firefighters & Police Officers	General Employees
(a)	Multiplier	2.5%	2.0%
(b)	Retirement eligibility	Age 55 and 10 years of service, or 25 years of service	Age 65 and 10 years of service, or age 60 and 30 years of service
(c1)	Overtime	Maximum 100 hours	Maximum 100 hours
(c2)	Overtime	Maximum 300 hours	
(d)	Final average pay	5 years	5 years
(e)	Normal form of payment	10 year certain & life	Single life
(f)	COLA	None	None
(g)	All changes combined		

In the tables in the following sections we provide the expected long term reduction in employer contribution rates for each of the changes and combinations noted above.

The projections were performed using the September 30, 2008 valuation results as a base, and projecting active and retired memberships for each of the funds over a 30 year period assuming the active population remained constant in number. The September 30, 2008 actuarial valuations of the plans were prepared by the actuary for the pension plans (Gabriel, Roeder, Smith (GRS) and Company). GRS also prepared the cost estimates for the alternative benefit provisions. We have used the cost estimates prepared by GRS to project the cost impact of the benefit changes analyzed. The rates in future years assumed all actuarial assumptions were met each year, including payroll growth of 5.5% per year for each of the plans.

In developing the costs for the alternatives that include changes in retirement eligibility, GRS has developed rates of retirements to reflect the proposed age and service requirements. Also, after discussion with GRS, we have assumed that the 300 hours cap on overtime for general employees would have minimal impact. In addition, GRS developed special assumptions to estimate the impact of the cap on overtime hours. All other calculations were based on the assumptions used for the September 30, 2008 valuations.

Please note that the individual results assume the stated change or changes are the only ones adopted. If a combination of other changes were to be made, the resulting reduction in employer contribution rate would not necessarily be additive.

The projected costs reflect the estimated return on market assets for the plans for the year ending September 30, 2009. The estimated returns were based on reports prepared by the investment consultants for the plans. The estimated market returns for the fiscal year 2009 were -1.20% for the Firefighters Plan, -0.69% for the General Employees Plan and -2.00% for the Police Officers Plan.

Given the inviolable nature of the accrued benefits under the current plans, the changes apply mainly to future service for current members and to new hires. The anticipated savings are measured by the change in the employer's normal contribution rate with respect to future service accruals. As a result, it will be many years before the Town will realize the full impact of the lower normal contribution rate. In any event, the contribution necessary to amortize the current unfunded accrued liability (UAL) of the retirement systems will not change for the most part, but rather will continue in the future until the UAL is completely funded. In addition, as discussed below, the FRS and the defined contribution plan only options require the Town accelerate the amortization of the UAL, thereby, increasing costs in the shorter term.

Governmental Accounting Standards Board (GASB) Statement No. 27 states that the annual required contributions (ARC) of the employer to a pension plan should be determined in accordance with certain parameters. The parameters include the method for amortizing a plan's UAL. GASB 27 permits amortizing the UAL in level dollar amounts or as a level percentage of the projected payroll of active plan members. GASB 27 describes the two amortization methods as follows.

Under level dollar amortization, the amortization payments are equal dollar amounts to be paid over a given number of years (similar to a house mortgage payment). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of projected payroll. In dollars adjusted for inflation, the payments can be expected to decrease over time.

With the level percentage of projected payroll amortization method, amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members. The dollar amount of the payments generally will increase over time as payroll increases due to inflation. In dollars adjusted for inflation, the payments can be expected to remain level. This method – level percentage of projected payroll assuming 5.5% annual payroll growth – is currently used by the pension plans.

In order to amortize the same initial UAL, the level dollar amount (non-increasing payments) method requires higher contribution amounts for the first few years of the amortization period than the level percentage of projected payroll (payments increasing by the assumed growth in payroll).

Under the FRS and defined contribution only options, the current pension plans would allow no new members to enter the plans. New hires after a certain date would not be covered by the current plans or a defined benefit plan and would instead join FRS or a defined contribution plan. With no new hires joining the current pension plans, the payroll base under the plan would begin to decline immediately. Since that base is used to fund the plan's UAL, the Town's financial burden as a percent of payroll will increase. This will be compounded by the GASB's requirements to reduce that payroll growth assumption in financing the UAL or move to a level dollar or decreasing payroll growth approach from the level percent of increasing payroll currently used. Since the UAL does not change when the pension plan is closed, the change in the method used to finance the UAL will increase the contribution required, at least in the near term.

In our projections for the FRS and defined contribution only plans, we have assumed a change from level percent of pay to level dollar amortization of the UAL.

In summary, because the current pension plan is ongoing, accounting and actuarial standards allow the employer to reflect the long-term nature of the plan by amortizing the unfunded actuarial accrued liability over an increasing projected payroll. These methods generally allow the employer to defer the cost of amortizing the UAL farther into the future. By contrast, if the current pension plans are closed, changing to a level or decreasing payroll will accelerate the financing of the UAL and increase contributions in the near term.

Another issue to consider in particular with respect to the fire and police pension plans is whether the Town will be able to continue using the premium tax distributions from the State (Chapter 175 and 185 moneys) to offset their contributions to the pension plans. Generally, there are no clear rules on the flexibility or constraints employers have on making pension benefit changes to fire and police plans if they want to continue receiving the Chapter 175 and 185 moneys. The requirements are subject to the interpretation of Chapters 175 and 185 by the Florida Division of Retirement.

A few areas are clear. If the Town closes the current pension plans to new hires and moves to FRS, or establishes a defined contribution plan without a defined benefit plan, it will permanently lose use of the premium tax distributions to offset pension contributions.

Establishing a two tier plan with reduced benefits for new hires and reduced future service benefits for current members may be permitted by the State provided the new tier of benefits meets the Chapter 175/185 minimums. If allowed by the State, and agreed to by the police union, under this approach the Town could continue to use the current premium tax base amounts to offset future contributions. Future premium tax distributions in excess of the base could go into share plans. The share plans would require union or member approval.

The State appears to allow a two tier plan for new hires only as long as the benefits for new hires do not fall below the level of benefits in 1999.

To increase member contributions for current or future members, the Town may have to provide some benefit increase to police and fire plans, or implement a benefit reduction followed by a benefit increase, to retain premium tax moneys.

The table below summarizes how we have reflected the State premium tax moneys for the specific scenarios we have analyzed that involve some uncertainty in the State's position. We assumed no future increases in State premium tax distributions in the cases where we reflected the offset.

Pension Plan Alternatives

Introduction

Alternative	Town Retains/Loses Future State Premium Tax Distributions	Reason
Two tier plans for current and future members (alternatives (4a) through (4e), except (4d1) for police)	Retains	New tier for all members complies with Chapters 175/185 minimums
Two tier plans for current and future members with 100 hours overtime cap for police (4d1)	Loses	Does not comply with Chapter 185 minimum for police
Two tier and hybrid plans for new hires only (alternatives (5), (6a) and (6b))	Loses	Tier for new hires does not meet level of benefits in plans in 1999
Increase member contributions (alternatives (8a) and (8b))	Retains	Town may have to provide some benefit increase to police and fire plans, or implement a benefit reduction followed by a benefit increase to retain tax premium moneys.

In our review we have coordinated with attorney Mr. James Linn to interpret the scenarios under which the Town would lose or retain the tax premium distributions. However, there is a great deal of uncertainty in this area. Therefore, we recommend the Town consult directly with legal counsel on these issues.

If the Town gives up the insurance premium tax distributions, it will have greater flexibility with respect to police and fire pension benefits. The Town would no longer have to comply with Chapters 175 and 185 minimum benefits and the Town would be able to make unilateral changes to the police and fire pension plans (except if collectively bargained). The Town would still have to comply with Florida Statutes, Chapter 112 with respect to the actuarial funding and administration requirements for pension plans.

Finally, we understand the employees of the police department have unionized. Therefore, no changes can be made to police pension benefits without collective bargaining.

Current DB Plan – No Change and Changes in Actuarial Assumptions and Methods

30-year projections of the costs of the current plans were performed as a base for comparison with other alternatives. We have also performed projections of the costs of the current plans with changes in the assumed scale of salary increases and the actuarial cost method.

For all pension plans, whether defined benefit or defined contribution, the basic retirement funding equation is:

$$C + I = B + E$$

Where:

- C = employer and member contributions
- I = investment income
- B = benefits paid
- E = expenses paid from the fund, if any.

As can be seen from the formula, for a given level of benefits and expenses the greater "I" is, the smaller "C" is. This is the underlying reason for advance funding a pension plan, and historically investment income pays for 75% to 80% of the benefit dollars received by plan participants. In other words, for every dollar paid to a participant only 20 to 25 cents comes from contributions.

Of course, the problem with the formula is that in order to figure out exactly how much to contribute, the plan would have to be closed to new members and allowed to operate until all retirees were deceased. At that point, the benefits and expenses actually paid out and the investment income actually earned would be known and, using the equation above, the true cost could be determined. Since the vast majority of plans are ongoing and have no intention of closing, and since even with a closed plan it takes a very long time before all benefits are finally paid out, plan sponsors hire actuaries to estimate the true cost of their plans and to create a budget to make systematic contributions to meet that cost.

In order to determine the contributions needed, the actuary's first step is to estimate on a given date (the valuation date) the value of all benefits (and expenses) that will be paid to the existing active and retired membership over their remaining lifetimes based on the plan's current benefit structure. This estimation requires the use of assumptions regarding both future events (termination, disability, retirement, death, etc.) and future economic conditions (return on assets, inflation, salary growth, etc.).

By combining the future events assumptions and the salary growth assumption, the actuary generates an expected benefit payment stream. In other words, a string of annual payments expected to be made to the current active and retired members from the valuation date until all members are no longer living. Then the actuary applies the asset return assumption to discount each year's payments to the valuation date, creating the present value of all future benefits or the total liability of the plan.

The actuarial valuations of the plans assume employee salary increases between the date of hire and date of retirement or DROP election, if earlier. The following are the current assumed rates of individual pay increases at sample ages.

	Current Annual Rates of Salary Increase for Sample Ages				
Attributable to:	**20**	**30**	**40**	**50**	**60**
Merit & Seniority	3.8%	2.7%	2.1%	1.1%	0.2%
Wage Inflation & Other	5.5%	5.5%	5.5%	5.5%	5.5%
Total	9.3%	8.2%	7.6%	6.6%	5.7%

As discussed, the Town anticipates future pay increases to be lower than historical increases, therefore, we have analyzed the impact of reducing the current assumed rates of salary increase by 1% per year at each age. The reduction in future pay increases will lower projected benefits and plan costs. However, lower future pays will also decrease projected total payroll which is the base for amortization of the unfunded accrued liability. To reflect lower assumed future pays we have decreased the payroll growth assumption from 5.5% to 4.5% per year.

The difference between the total liability and the current assets of the plan represents the present value of future contributions (PVFC) that have to be made by the plan sponsor. Usually the plan sponsor cannot contribute the entire difference in one year, but rather desires a relatively smooth contribution pattern over time that also meets any external constraints (like the GASB accounting standards). In order to budget for the PVFC, the actuary applies an actuarial cost method. There are several acceptable cost methods, but it's important to recognize that they are nothing more than budgeting tools.

Different actuarial cost methods can provide for faster funding earlier in a plan's existence, more level funding over time, or more flexibility in funding. The choice of an actuarial cost method will determine the pattern or pace of the funding and, therefore, should be linked to long term financing objectives of the fund and benefit security considerations. However, it is important to keep in mind, that the actuarial cost method used will not change the ultimate cost of the pension plan.

There are several credible funding methods that can be used to fund a public pension plan. They include entry age normal and projected unit credit. Entry Age Normal (EAN) is used by a large majority of public sector systems, including the Town's three pension plans. Its popularity stems from the fact that it is designed to generate level contributions as a percent of active member payroll over an employee's working lifetime. The EAN method splits the present value of future contributions into a present value of future normal costs and an accrued liability. The "normal cost" is a measure of the contribution rate necessary, payable from date of hire until departure from active membership in the plan, to finance the benefits promised to active members. The difference between the present value of future contributions and the present value of future normal costs is called the accrued liability.

Projected Unit Credit (PUC) allocates the total liabilities to past service and future service. The liability allocated to past service is the accrued liability. Subtracting the current asset value from the accrued liability generates the unfunded accrued liability. We have projected the costs of the plans under PUC to evaluate whether it would provide flexibility in the pace of funding of the Town's pension plans.

In the tables below we present the funded status and projected contribution rates for the Town's current pension plans under the current assumptions and methods, with a 1% decrease in the wage inflation and under the PUC actuarial cost method. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

CURRENT DEFINED BENEFIT (DB) PLAN

General Employees Retirement System

Fiscal Year End	Current Plan		Current Plan with 1% Reduction in Wage Inflation		Current Plan under Projected Unit Credit	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	88.2%	18.71%	88.2%	18.71%	88.2%	18.71%
2014	67.8%	26.26%	70.3%	23.88%	71.3%	28.54%
2019	70.9%	27.36%	72.7%	25.03%	74.2%	29.43%
2024	74.9%	30.30%	76.1%	27.95%	78.0%	32.14%
2029	83.1%	29.17%	83.7%	26.83%	85.7%	30.74%
2034	91.4%	23.83%	91.5%	21.43%	93.1%	25.10%
2039	96.6%	23.04%	96.4%	20.65%	97.2%	24.18%

Firefighters Retirement System

Fiscal Year End	Current Plan		Current Plan with 1% Reduction in Wage Inflation		Current Plan under Projected Unit Credit	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	80.3%	41.95%	80.3%	41.95%	80.3%	41.95%
2014	68.2%	51.44%	70.0%	48.84%	69.9%	54.96%
2019	72.1%	56.30%	73.5%	53.85%	74.1%	59.50%
2024	78.0%	45.11%	78.8%	42.50%	80.0%	48.02%
2029	83.0%	52.21%	83.2%	49.73%	84.7%	54.52%
2034	92.4%	51.32%	92.2%	48.98%	93.4%	53.59%
2039	97.4%	42.90%	97.2%	40.63%	97.7%	45.17%

Police Officers Retirement System

Fiscal Year End	Current Plan		Current Plan with 1% Reduction in Wage Inflation		Current Plan under Projected Unit Credit	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	90.0%	39.31%	90.0%	39.31%	90.0%	39.31%
2014	77.1%	49.69%	77.6%	46.59%	78.8%	52.49%
2019	79.8%	52.14%	79.7%	50.09%	81.5%	54.78%
2024	83.0%	42.13%	82.4%	39.43%	84.7%	44.39%
2029	86.3%	47.57%	85.2%	46.53%	87.8%	49.39%
2034	93.5%	46.55%	92.6%	46.11%	94.3%	48.37%
2039	97.5%	43.31%	97.0%	42.78%	97.8%	45.19%

Current Plan - Termination

As requested, we have estimated the impact of terminating the current pension plans. If the Town terminates the current plans, all members would become fully vested in their accrued benefit.

Terminating the pension plans would require the City pay any shortfall between the assets of the plans and the termination liability. The termination liability for the plans will depend on factors such as how accrued benefits are distributed and financial market conditions at the time of plan termination. In the case of the fire and police plans, the pension boards would determine how accrued benefits are to be distributed. The forms of benefit distributions include lump sum value of accrued benefits, insured annuities or substitute trust. Lump sum cashouts or insured annuity will require the use of legally prescribed or insurance company interest and mortality assumptions. Use of these assumptions would likely significantly increase the plans' termination liabilities compared to the regular actuarial valuation assumptions. The unfunded termination liability for the plans can be only roughly estimated at this time since the form of distribution and the assumptions are unknown. Below we provide a rough estimate of the one-time cost to the Town to terminate the plans. The estimate is based on the present value of accrued benefits calculated by GRS at a 5% per year discount rate and the market value of assets as of September 30, 2008.

Estimate Plan Termination Liability as of September 30, 2008
($'s Millions)

	General Employees	Firefighters	Police Officers
Present value of accrued benefits at 5%	$94.9	$83.0	$90.9
Market value of assets	$58.4	$49.7	$54.7
Estimate of plan termination cost	$36.5	$33.3	$36.2

Extending DROP Years

Currently, the Town's pension plans provide a five-year DROP to members eligible for normal retirement. The DROP benefit is 98% of accrued benefit for general employees and 100% of accrued benefit for firefighters and police. We have reviewed the possibility of extending the DROP to eight years.

A member who enters the DROP and "retires" at a younger age will receive pension benefits for a longer period of time than if no DROP were in place. On the other hand, by entering the DROP at a younger age, the member gives up future benefit accruals since the DROP benefit will be based on shorter service and lower final average salary. In the case of the Town, the plans' actuary expects that extending the DROP would be cost neutral or result in a minimal savings. In fact, GRS prepared a cost study to extend the DROP to seven years for the Firefighters Plan and reported a contribution reduction of 0.19% to 0.38% of payroll.

In extending the DROP the Town should also consider the impact on issues not directly related to pensions, such as longer careers, staffing, payroll costs and the cost of other employment benefits. The Town should evaluate its objectives with respect to these issues and the impact of non-pension related costs arising from extending the DROP.

Supplemental Pension Distribution (SPD)

Currently, the SPD is paid for fiscal years in which the investment return on the market value of assets exceeds 8%. The SPD is the investment return over 8%, but not above 10%, times the present value of benefits for members receiving plan benefits. The investment return is reduced for expenses. The SPD is subject to accumulated gains/(losses) limitation.

CURRENT DEFINED BENEFIT (DB) PLAN

The current valuation assumptions anticipate an average long-term asset rate of return of 8% per year. The assumptions do not anticipate returns greater than or lesser than 8% in any given future year. However, given the volatility of the financial markets we think it is reasonable to assume that in future years there will be years with returns exceeding 8% (as well as years with returns less than 8%).

Also, the SPD is only paid if the plans have accumulated unamortized net experience gains. Considering recent poor asset experience we anticipate the plans will have to overcome large aggregate losses before the payment of a SPD in the future.

However, to illustrate the potential cost of the SPD for future years with asset returns exceeding 8% and with accumulated net experience gains, we have reviewed the effect if a SPD had been paid with respect to the fiscal year ending September 30, 2008. Our estimate is based on the actuarial present value of future payments to pension recipients as of September 30, 2008 and the expense rates shown in the GRS reports.

	General Employees	Firefighters	Police Officers
Actuarial present value of future payments to pension recipients on 9/30/2008	$30,486,783	$38,414,457	$35,860,792
Potential SPD assuming a 10% market return and current expense rates	$605,000	$760,000	$710,000
Increase in the Town's contribution rate for 30-years	0.21%	0.56%	0.57%

FLORIDA RETIREMENT SYSTEM (FRS)

We have studied the possibility of joining the Florida Retirement System (FRS) for current members in the Town's pension plans and for new hires.

Benefit Structure

Firefighters and Police Officers

Police officers and firefighters are normally covered under the Special Risk class of FRS. A comparison of the main benefit provisions of FRS Special Risk Class benefits with the Firefighters Plan and Police Officers Plan benefits is shown in the table below.

Item	Fire and Police Plans	FRS
Benefit Accrual Rate	Greater of: 3.5% per year, maximum 25 years 2.0% per year, maximum 50 years	3.00% per year
Average Final Compensation	2 year average	5 year average
Unreduced Retirement Eligibility	Age 50 with 10 years service or 20 years service or Rule of 65	Age 55 with 6 years service or 25 years service
Vesting Eligibility	10 years service	6 years service
Normal Form of Benefit	75% J&S	Life
Cost-of-Living-Adjustment	2% per year, deferred 3 years	3% per year
Health Care Subsidy	No	Yes
Member Contribution Rate	6.82% Fire; 6.98% Police	0%
DROP Crediting rate	Self-directed accounts	6.5% per year

PENSION PLAN ALTERNATIVES

FLORIDA RETIREMENT SYSTEM (FRS)

General Employees

General Employees are normally covered under the Regular class of FRS. A comparison of the main benefit provisions of FRS Regular Class benefits with the General Employees Plan benefits is shown in the table below.

Item	General Employees Plan	FRS
Benefit Accrual Rate	2.75% for service after 9/30/1990, 82.5% maximum, plus 2.35% for service earned before 10/1/1990, maximum 30 years, plus 1% for service in excess of 30 years	1.60%
Average Final Compensation	2 years	5 years
Unreduced Retirement Eligibility	Age 55 with 10 years service, or 30 years service	Age 62 with 6 years service or 30 years service
Vesting Eligibility	10 years service	6 years service
Normal Form of Benefit	75% J&S	Life
Cost-of-Living-Adjustment	2% per year, deferred 3 years	3.00% per year
Health Care Subsidy	No	Yes
Member Contribution Rate	6.47%	0%
DROP Crediting rate	Self-directed accounts	6.5% per year

FRS retirement benefits include a health care subsidy of $5 per year of service, with a minimum of $30 and a maximum of $150 per month.

Joining FRS is a change in pension benefits which is subject to collective bargaining with the police union.

FRS is a defined benefit plan, like the Town's current pension plans. As such, the employer contributions to FRS can fluctuate. There are no member contributions to FRS. Current FRS employer contribution rates are 9.85% of pay for general employees and 20.92% for fire and police. Due to the recent market downturn, contributions to FRS are likely to increase over the next few years. For comparison, the current Town contribution rates for its pension plans are 18.71% for general employees, 41.96% for fire and 39.31% for police. However, it is important to keep in mind that after the transition to FRS, the Town will have to continue making contributions to the current plans to amortize the unfunded accrued liability.

Our understanding is that once the Town joins FRS it cannot withdraw in the future. The Town would have no control and limited influence over FRS benefits and would be required to make the employer contribution as set by FRS.

If the Firefighters Plan and the Police Officers Plan are closed to new members the State premium tax payments will cease. The Town will need to replace approximately $350,000 (5.54% of payroll) and $230,000 (3.99% of payroll) in annual contributions for firefighters and police officers, respectively, of lost State contributions.

In addition, once the three plans are closed to new members the amortization of the plans' unfunded accrued liability will have to change from the level percent of payroll method to the level dollar method. This change will increase the Town's contribution requirement to the plans, at least in the first few years after the transition to FRS.

Based on the information outlined above, it is likely that there will be a significant initial increase in the Town's pension costs for all retirement systems. However, as the Town hires new entrants that are covered under FRS, the Town's overall pension expense should decrease over time.

A technical issue to consider if the Town moves further toward FRS is that if the Firefighters Plan and the Police Officers Plan are closed to new members, they will no longer be Chapter 175/185 plans. As a result, we understand a substitute trust will need to be created to receive the assets of the current plans and future contributions and to pay benefits to remaining members.

There are two approaches the Town can follow to join FRS:

(1) Terminating or freezing the current plans and having current and future employees join FRS.

(2) Closing the current plans to new members and joining FRS for new hires.

Below we discuss issues to consider under both approaches and the financial impact.

(1) Terminating or freezing the current plans and having current and future employees join FRS.

The Town would freeze or terminate the current plans, and all current and future employees would join FRS.

If the plans are frozen, current retirees, beneficiaries and deferred vested members would have to remain in the current plans and continue to receive pension benefits from those plans. The Town would have to continue funding the current plans for retirees and the accrued benefits for current active members. The plans would be funded solely by the Town. There would be no member or State contributions to the frozen plans.

If the plans are terminated, the Town would have to pay any shortfall between the assets of the plans and the termination liability for all the plans. Also as discussed above, the unfunded termination liability for the plans can be only roughly estimated at this time since the form of distribution and the assumptions are unknown. However, our rough estimate of the one-time cost to the Town to terminate the General Employees Plan, the Firefighters Plan and the Police Officers Plan are $36.5 million, $33.3 million and $36.2 million, respectively.

In addition, the Town would have to start making contributions to FRS with respect to current actives and new hires. As mentioned above, the current FRS required contribution rates are 9.85% for general employees and 20.92% for public safety employees.

(2) Closing the current plans to new members and joining FRS for new hires.

Under this approach the Town would not be able to force current active members to transfer to FRS. Each current active member would have the option to remain in the current plans or transfer to FRS. Current retirees would have to remain in the current plans and continue to receive pension benefits from those plans. As a result, the Town would have to continue funding the current plans for current retirees and active members who do not transfer to FRS.

Prior service credits under FRS are substantially lower than the benefits accrued by members in the current Town plans. Therefore, we expect few current active members would choose to transfer to FRS. For general employees, the benefit multiplier for prior service would be at the FRS multiplier of 1.60%, compared to the General Employees Plan multiplier of 2.75%. The difference in multiplier represents a loss of over 40% in prior service benefits for general employees. Prior service credits under FRS for fire and police would be at a 2% multiplier, which is nearly 43% lower than the 3.5% multiplier for prior service benefits earned by fire and police members under the Town's plans.

If the Town elects to purchase past service, the current plans must be amended to allow the employees the option to revert their contributions back to the Town. The employees transferring to FRS will have to elect to receive their accrued benefit from the current plans or elect to return his or her contributions to the Town and allow the Town to purchase the past service. If the employee chooses to receive an accrued benefit, he or she will not be entitled to prior service credits under FRS.

The cost to purchase prior service is calculated by the contribution rate in effect under FRS at the time the employee performed the service, multiplied by the salary earned, plus interest compounded annually. FRS will calculate the prior service cost based on actual salary history for each employee entitled to past service. We have not performed an individual calculation of the cost to purchase prior service. However, to provide a guide for the magnitude of the cost we have estimated the cost may range from $8 million to $15 million per pension plan, assuming all current active employees choose to transfer to FRS, elect to waive their accrued benefit and revert their contributions to the Town for the purchase of prior service.

We expect few current active members would choose to transfer to FRS since all employees would lose over 40% of their prior service benefit. Also, for those current employees that elect to transfer to FRS the purchase of prior service by the Town would be costly.

The more likely scenario is that active employees will remain in the current plans and new hires would join FRS. To help us understand the cost impact of the transition to FRS for new hires, in the table below we recap the current contribution rates to the Town's plans and the FRS contribution rates.

	Contribution Rates		
	General Employees	Firefighters	Police Officers
Current Plan			
Member	6.47%	6.82%	6.98%
State	N/A	5.54%	3.99%
Town	18.71%	41.96%	39.31%
Total	25.18%	54.32%	50.28%
FRS – Town Only	9.85%	20.92%	20.92%

If the Town moves to FRS for new hires, the Town would have to

- Continue financing the current unfunded accrued liability of the plans
- Change from level percent to level dollar amortization of the UAL
- Replace the lost State tax premium distributions for the Firefighters Plan and the Police Officers Plan

FLORIDA RETIREMENT SYSTEM (FRS)

On the other hand all new hires will be covered under FRS at the lower contribution rates of 9.85% for general employees and 20.92% for firefighters and police officers, instead of the current rates of 18.71% for general employees, 41.96% for fire and 39.31% for police.

In the initial stages of the transition there will be an immediate increase to the City's overall pension expenses for general employees, firefighters and police officers. As the overall population of the police and firefighter workforce is replaced with new hires that are covered under the lower cost FRS, the Town will begin to realize cost savings. It could be several years before the City realizes a true cost savings.

The tables below compare the projected costs for the current plans and under FRS. For comparison purposes, the UAL contribution rates included in the FRS option rates are shown as a percent of total payroll, including employees who will be in FRS and not in the current pension plans. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

General Employees Retirement System

Fiscal Year End	Current Plan		FRS New Hires	
	Funded Status	Town Rate	Funded Status	Town Rate
2010	88.2%	18.71%	88.2%	18.71%
2014	67.8%	26.26%	70.1%	32.52%
2019	70.9%	27.36%	76.9%	28.87%
2024	74.9%	30.30%	82.4%	26.57%
2029	83.1%	29.17%	89.3%	21.89%
2034	91.4%	23.83%	95.0%	16.35%
2039	96.6%	23.04%	98.1%	14.48%

Firefighters Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	FRS New Hires Funded Status	FRS New Hires Town Rate
2010	80.3%	41.95%	80.3%	41.95%
2014	68.2%	51.44%	70.5%	63.79%
2019	72.1%	56.30%	77.5%	57.07%
2024	78.0%	45.11%	84.2%	40.42%
2029	83.0%	52.21%	88.7%	39.23%
2034	92.4%	51.32%	95.2%	34.79%
2039	97.4%	42.90%	98.4%	28.94%

Police Officers Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	FRS New Hires Funded Status	FRS New Hires Town Rate
2010	90.0%	39.31%	90.0%	39.31%
2014	77.1%	49.69%	78.2%	57.03%
2019	79.8%	52.14%	82.9%	50.19%
2024	83.0%	42.13%	86.9%	36.06%
2029	86.3%	47.57%	89.9%	35.82%
2034	93.5%	46.55%	95.3%	32.38%
2039	97.5%	43.31%	98.2%	29.08%

PENSION PLAN ALTERNATIVES

DEFINED CONTRIBUTION (DC) PLAN

We have reviewed the impact on the Town and its pension plans and members should a defined contribution (DC) plan be established for Town employees. In our analysis, we have assumed that the new DC plan would apply to new hires. Current employees could elect to participate in the DC plan instead of the current defined benefit plans.

As you know, the Town's plans are all Internal Revenue Code (IRC) qualified defined benefit (DB) plans. A DB plan provides a guaranteed lifetime benefit at retirement based on a formula that reflects salary history and service with a covered employer. In contrast, a DC plan does not provide for a guaranteed benefit. A DC plan is funded by employer (and possibly employee) contributions. These contributions accumulate with actual investment earnings, and the participant's annual retirement income is whatever the accumulated assets can provide over the retiree's lifetime.

DB plans do a better job of providing retirement income whereas DC plans are better at creating retirement savings. Although the current approach in the public sector is to consider *replacing* a DB plan with a DC plan, they really are complementary vehicles and should be offered together. In fact, through the 457 plans currently offered by the Town (which are DC plans funded entirely by employee contributions), the Town is doing just that.

The ultimate goal of any retirement program is to provide adequate retirement benefits to career employees when they reach normal retirement age. It is an undisputed fact that for a given employer commitment (i.e., contribution level) DB plans are the superior vehicle for achieving this goal. This is demonstrated below.

As shown before, for all pension plans, whether defined benefit or defined contribution, the basic retirement funding equation is:

$$C + I = B + E$$

Where:

- C = employer and member contributions
- I = investment income
- B = benefits paid
- E = expenses paid from the fund, if any.

DEFINED CONTRIBUTION (DC) PLAN

The underlying message is that dollars in have to equal dollars out. When comparing a DB plan and a DC plan with identical employer contributions ("C"), if investment income ("I") and expenses ("E") are the same, then the *total* benefits ("B") paid from the plans must be equal. However, DC plans are designed to allow members terminating from service prior to retirement to withdraw their account balances which include employer contributions. By contrast when a member terminates prior to retirement under a DB plan with no right to a vested benefit, the employer contributions remain in the system. Therefore under a DC plan the benefits paid to those who terminate prior to retirement are higher than under a DB plan. As a result under a DC plan, there are fewer benefit dollars available for members who retire when compared to a DB plan.

If the DB/DC discussion is going to revolve around an "either/or" choice, then the Town has a key decision to make. Is the goal of the pension programs to provide adequate retirement income to employees who serve the citizens of the Town for a career, or to provide higher benefits for those employees who terminate after a short period of service in the Town?

Since new hires will not be joining the current DB plans, the payroll base under these plans would begin to decline immediately. Since that base is used to fund the systems' unfunded accrued liabilities (UAL), the financial burden as a percent of payroll will increase. This will be compounded by Governmental Accounting Standards Board requirements under Statements 25 and 27 to reduce the payroll growth assumption in financing the UAL or move to a level dollar approach from the level percent of payroll currently used.

From a benefits viewpoint, as mentioned earlier, DC plans are good vehicles for creating retirement savings. However, whether the savings accumulated under the DC plan will provide adequate retirement income depends on several factors, including a member's savings rate, asset allocation, investment income and life expectancy. Under a DC plan approach, it is possible for a retiree to outlive his or her retirement savings. In addition, DC plans do not provide a guaranteed cost of living increase after retirement.

Finally, the administrative burden on the Town staff will increase substantially if a DC plan is created. Staffing will have to increase significantly to handle the additional duties of managing the DC plan along with the existing DB plans. DB and DC plans are fundamentally different, so the skill sets that are needed to administer the plans are not the same. In addition, there will be greater communication needs, not only for educational purposes, but also for participant access to the DC plan's account information.

For the reasons noted above, the employee population covered by the DC plan will be very slow in developing. As a result, even without the added cost factors noted below for the fire and police plans, it will take many years before the Town may begin to realize any cost savings anticipated by creating a DC plan with lower employer contribution rates. In addition, for the fire and police pension plans, the Town will lose the State tax premium distributions that it currently uses to partially offset its contribution to those plans.

Below we present the projected cost impact of a sample DC plan for new hires. The DC plan includes a 10% Town contribution and a 7% member contribution. The projected DC plan costs reflect the loss of Chapter 175/185 moneys and the move to level dollar amortization of the unfunded accrued liability of the plans. For comparison purposes, the UAL contribution rates included in the DC option rates are shown as a percent of total payroll, including employees who will be in the DC option and not in the current pension plans. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

General Employees Retirement System

Fiscal Year End	Current Plan		DC Plan New Hires	
	Funded Status	Town Rate	Funded Status	Town Rate
2010	88.2%	18.71%	88.2%	18.71%
2014	67.8%	26.26%	70.0%	31.84%
2019	70.9%	27.36%	76.1%	27.46%
2024	74.9%	30.30%	81.0%	24.60%
2029	83.1%	29.17%	87.5%	19.53%
2034	91.4%	23.83%	93.4%	13.74%
2039	96.6%	23.04%	97.0%	11.72%

DEFINED CONTRIBUTION (DC) PLAN

Firefighters Retirement System

Fiscal Year End	Current Plan		DC Plan New Hires	
	Funded Status	Town Rate	Funded Status	Town Rate
2010	80.3%	41.95%	80.3%	41.95%
2014	68.2%	51.44%	70.1%	59.16%
2019	72.1%	56.30%	76.1%	48.21%
2024	78.0%	45.11%	81.5%	28.85%
2029	83.0%	52.21%	84.4%	25.52%
2034	92.4%	51.32%	91.6%	20.87%
2039	97.4%	42.90%	96.3%	15.02%

Police Officers Retirement System

Fiscal Year End	Current Plan		DC Plan New Hires	
	Funded Status	Town Rate	Funded Status	Town Rate
2010	90.0%	39.31%	90.0%	39.31%
2014	77.1%	49.69%	78.0%	53.64%
2019	79.8%	52.14%	82.0%	42.93%
2024	83.0%	42.13%	84.7%	26.33%
2029	86.3%	47.57%	86.0%	25.07%
2034	93.5%	46.55%	91.6%	21.46%
2039	97.5%	43.31%	95.6%	18.16%

HYBRID PLAN

Another type of pension plan design we have analyzed is the hybrid plan. A hybrid plan is a combination of defined benefit and defined contribution plans. The defined benefit component would have a reduced multiplier in comparison to the current pension plans. In addition, there would be a separate voluntary defined contribution plan. The defined contribution portion usually includes an employer matching contribution.

We have analyzed hybrid plans for new hires only. Current employees would remain in the current pension plans. The hybrid plan we have analyzed includes the following features:

- Reduced benefit multiplier for DB portion from 2.75% to 1.25% for general employees, and from 3.5% to 1.5% for fire and police
- DC Town contribution of 2% of pay
- DC employee contribution of 4% of pay
- Keep member contribution rates to DB component the same as the member contributions to the current pension plans

We have analyzed the cost impact with only the change in multiplier presented above, and with the change in multiplier plus the following benefit changes.

Benefit Provision		Firefighters & Police Officers	General Employees
(b)	Retirement eligibility	Age 55 and 10 years of service, or 25 years of service	Age 65 and 10 years of service, or age 60 and 30 years of service
(c1)	Overtime	Maximum 100 hours	Maximum 100 hours
(c2)	Overtime	Maximum 300 hours	N/A
(d)	Final average pay	5 years	5 years
(e)	Normal form of payment	10 year certain & life	Single life
(f)	COLA	None	None
(g)	All changes combined		

HYBRID PLAN

Given only new hires will be joining the new plan, the employee population covered by the hybrid plans will be very slow in developing. Therefore, it will be many years before the Town will realize the full savings of the lower benefits and contribution rates. In addition, for the fire and police pension plans, we understand the Town will have to replace the lost Chapter 175 and 185 moneys since the defined benefit portion of the hybrid plan does not meet the level of benefits in the plans in 1999.

The tables and graphs below compare the projected costs for the current plans and under the hybrid plans. The projected costs include the impact of losing the State tax premium distributions. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

General Employees Retirement System

Fiscal Year End	Current Plan		Hybrid Plan New Hires			
			1.25% Multiplier Only		1.25% Multiplier & Other Changes	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	88.2%	18.71%	88.2%	18.71%	88.2%	18.71%
2014	67.8%	26.26%	67.6%	24.91%	67.5%	24.33%
2019	70.9%	27.36%	70.0%	24.55%	69.8%	23.36%
2024	74.9%	30.30%	73.0%	26.37%	72.4%	24.70%
2029	83.1%	29.17%	80.6%	24.48%	79.9%	22.48%
2034	91.4%	23.83%	89.4%	18.62%	88.7%	16.40%
2039	96.6%	23.04%	95.3%	17.53%	94.9%	15.18%

Firefighters Retirement System

Fiscal Year End	Current Plan		Hybrid Plan New Hires			
			1.50% Multiplier Only		1.50% Multiplier & Other Changes	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	80.3%	41.95%	80.3%	41.95%	80.3%	41.95%
2014	68.2%	51.44%	67.8%	50.53%	67.7%	48.60%
2019	72.1%	56.30%	70.5%	49.43%	70.0%	45.75%
2024	78.0%	45.11%	74.8%	34.28%	73.7%	29.47%
2029	83.0%	52.21%	78.2%	38.27%	76.3%	32.57%
2034	92.4%	51.32%	88.9%	36.67%	87.2%	30.88%
2039	97.4%	42.90%	95.7%	27.89%	94.7%	22.10%

Police Officers Retirement System

Fiscal Year End	Current Plan		Hybrid Plan New Hires			
			1.50% Multiplier Only		1.50% Multiplier & Other Changes	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	90.0%	39.31%	90.0%	39.31%	90.0%	39.31%
2014	77.1%	49.69%	76.8%	47.11%	76.8%	45.41%
2019	79.8%	52.14%	78.7%	42.25%	78.4%	38.60%
2024	83.0%	42.13%	80.6%	27.48%	79.8%	22.60%
2029	86.3%	47.57%	82.4%	30.77%	81.0%	25.38%
2034	93.5%	46.55%	90.4%	29.13%	89.0%	23.65%
2039	97.5%	43.31%	95.8%	25.63%	94.9%	20.15%

TWO TIER PLAN

In the earlier Current Defined Benefit Plan section we reviewed the status of the current plans and analyzed possible actuarial assumption and method changes, but no benefit changes to current benefits. In this section we analyze possible changes to the current plans with respect to current members and new hires.

These are called two tier plans because there are different (another tier of) benefits with respect to the future service of current members and/or for new hires.

The changes we have analyzed to the benefits of current members are outlined below.

Possible Benefit Changes – Current Members

Alternative		Firefighters and Police Officers	General Employees
(4a)	Multiplier	2.5%	2%
(4b)	COLA	Reduced 1% COLA for current active members not eligible to retire by 10/1/2010 deferred five years from retirement	Reduced 1% COLA for current active members not eligible to retire by 10/1/2010 deferred five years from retirement
(4c)	Retirement eligibility for current non-vested members	Age 55 and 10 years of service, or 25 years of service	Age 60 and 10 years of service, or 30 years of service
(4d1)	Overtime hours in future pensionable pay	Maximum 100 hours	Maximum 100 hours
(4d3)	Overtime hours in future pensionable pay	Maximum 300 hours	Maximum 300 hours, assumed to have no impact on costs
(4e)	Married form of payment	35% joint and survivor	35% joint and survivor

We have analyzed the above changes for current members in combination with the benefit provisions below applicable to new hires. For example, we have analyzed the impact of (4a) above combined with each of (a) through (g) below, (4b) above combined with each of (a) through (g) below, and so on.

Possible Benefit Alternatives – New Hires

Benefit Provision		Firefighters & Police Officers	General Employees
(a)	Multiplier	2.5%	2.0%
(b)	Retirement eligibility	Age 55 and 10 years of service, or 25 years of service	Age 65 and 10 years of service, or age 60 and 30 years of service
(c1)	Overtime	Maximum 100 hours	Maximum 100 hours
(c2)	Overtime	Maximum 300 hours	
(d)	Final average pay	5 years	5 years
(e)	Normal form of payment	10 year certain & life	Single life
(f)	COLA	None	None
(g)	All changes combined		

As an alternative, we have reviewed the impact of creating a two tier plan only with respect to new hires. Under this approach, current members would see no change in their pension benefits. New hires benefit provisions would be as outlined above. The new hires benefits are below the benefit levels in 1999 for fire and police (which included a 3% multiplier, Rule of 65 and a 2% COLA), therefore, we understand the Town would lose use of the State premium tax money.

The alternatives analyzed that include changes for current members would provide benefits that comply with Chapters 175/185, with the exception of the 100 hours cap of overtime for police. Therefore, under all of the alternatives involving changes to current member benefits (except (4d1)), we have assumed the Town will retain the State tax premium distributions that it currently uses to partially offset its contribution to the Firefighters Plan and the Police Officers Plan. Further analysis and discussion with the Florida Division of Retirement is required for approval. In addition, adjustments to the proposed benefits may be necessary to assure compliance with the uniform benefits provisions of Chapters 175/185. The police union would have to agree to the changes. Also, excess premium tax monies in excess of the current base amounts could go to the share plans.

Below we present the projected cost impact of the various two tier plan alternatives. The results for the two tier plans for current and future members present the eventual contribution rate ***reduction*** after 30 years. The results shown for the two tier plans for new hires only are the ***total*** projected contribution rates. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

Two Tier Plans for Current Members and New Hires (Assumes Use of Premium Tax Distributions to Offset Town Contributions, Except for the 100 Hours Overtime Cap for Police only)

Prospective Benefits All Current and Future Members

General Employees Retirement System

		Eventual (30 Years) Reduction in Town Contribution Rate						
		New Hires						
		(a)	(b)	(c1)	(d)	(e)	(f)	(g)
Current Members		2% Multiplier	Retirement Eligibility 65 & 10, or 60 & 30	100 Hours Overtime Cap	5 Year Final Average Pay	Single Life	No COLA	All Changes Combined
(4a)	2% multiplier future service	5.14%	2.91%	0.92%	1.88%	2.38%	2.89%	10.09%
(4b)	1% COLA current active members not eligible to retire by 10/1/2010 deferred 5 years	5.26%	3.04%	1.04%	2.00%	2.50%	3.01%	10.21%
(4c)	Current non-vested members retirement eligibility age 60 and 10 years of service, or 30 years of service	4.92%	2.71%	0.73%	1.68%	2.18%	2.68%	9.84%
(4d1)	100 hours overtime cap	5.11%	2.88%	0.88%	1.84%	2.35%	2.85%	10.06%
(4e)	35% joint and survivor married members	5.61%	3.39%	1.39%	2.35%	2.85%	3.36%	10.56%

Prospective Benefits All Current and Future Members

Firefighters Retirement System

		Eventual (30 Years) Reduction in Town Contribution Rate							
		New Hires							
		(a)	(b)	(c1)	(c3)	(d)	(e)	(f)	(g)
Current Members		2.5% Multiplier	Retirement Eligibility 55 & 10, or 25 service	100 Hours Overtime Cap	300 Hours Overtime Cap	5 Year Final Average Pay	10 Year Certain & Life	No COLA	All Changes Combined
(4a)	2.5% multiplier future service	10.43%	3.48%	1.42%	0.68%	3.81%	3.08%	6.60%	20.42%
(4b)	1% COLA current active members not eligible to retire by 10/1/2010 deferred 5 years	11.69%	4.74%	2.68%	1.94%	5.07%	4.34%	7.86%	21.68%
(4c)	Current non-vested members retirement eligibility age 55 and 10 years of service, or 25 years of service	10.48%	3.53%	1.47%	0.73%	3.86%	3.13%	6.65%	20.46%
(4d1)	100 hours overtime cap	10.83%	3.88%	1.82%	1.08%	4.21%	3.48%	7.00%	20.82%
(4d3)	300 hours overtime cap	10.36%	3.41%	1.35%	0.61%	3.74%	3.01%	6.53%	20.35%
(4e)	35% joint and survivor married members	11.05%	4.10%	2.04%	1.30%	4.43%	3.70%	7.22%	21.04%

PENSION PLAN ALTERNATIVES

TWO TIER PLAN

Prospective Benefits All Current and Future Members

Police Officers Retirement System

	Current Members	Eventual (30 Years) Reduction in Town Contribution Rate — New Hires: (a) 2.5% Multiplier	(b) Retirement Eligibility 55 & 10, or 25 service	(c1) 100 Hours Overtime Cap [1]	(c3) 300 Hours Overtime Cap	(d) 5 Year Final Average Pay	(e) 10 Year Certain & Life	(f) No COLA	(g) All Changes Combined
(4a)	2.5% multiplier future service	10.53%	3.07%	17.42%	17.42%	3.70%	3.10%	6.34%	20.12%
(4b)	1% COLA current active members not eligible to retire by 10/1/2010 deferred 5 years	11.65%	4.19%	18.54%	18.54%	4.82%	4.22%	7.46%	21.24%
(4c)	Current non-vested members retirement eligibility age 55 and 10 years of service, or 25 years of service	10.56%	3.10%	17.45%	17.45%	3.73%	3.13%	6.37%	20.15%
(4d1)	100 hours overtime cap	10.01%	2.55%	17.73%	16.90%	3.18%	2.58%	5.82%	19.60%
(4d3)	300 hours overtime cap	10.46%	3.00%	17.35%	17.35%	3.63%	3.03%	6.27%	20.05%
(4e)	35% joint and survivor married members	11.07%	3.61%	17.96%	17.96%	4.24%	3.64%	6.88%	20.66%

[1] Does not comply with Chapter 185 minimum benefits for police. Town would lose use of State premium tax moneys. Under all other current member and new hire changes, the Town will keep use of State premium tax moneys. Excess premium tax moneys could go into share plan.

Two Tier Plans for New Hires Only (Assumes Loss of Premium Tax Distribution to Offset Town Contributions)

General Employees Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	New Hires Funded Status	New Hires 2% Multiplier Town Rate	New Hires Ret Elig Town Rate	New Hires OT 100 Town Rate	New Hires 5 Yr FAP Town Rate	New Hires Life Town Rate	New Hires No COLA Town Rate	New Hires All Town Rate
2010	88.2%	18.71%	88.2%	18.71%	18.71%	18.71%	18.71%	18.71%	18.71%	18.71%
2014	67.8%	26.26%	67.7%	25.11%	25.65%	26.14%	25.91%	25.78%	25.66%	23.89%
2019	70.9%	27.36%	70.4%	24.96%	26.10%	27.11%	26.63%	26.37%	26.11%	22.43%
2024	74.9%	30.30%	73.9%	26.95%	28.53%	29.95%	29.27%	28.91%	28.55%	23.42%
2029	83.1%	29.17%	81.9%	25.16%	27.06%	28.76%	27.94%	27.51%	27.08%	20.95%
2034	91.4%	23.83%	90.5%	19.38%	21.49%	23.37%	22.47%	21.99%	21.51%	14.69%
2039	96.6%	23.04%	96.1%	18.34%	20.56%	22.56%	21.60%	21.10%	20.59%	13.39%

PENSION PLAN ALTERNATIVES

TWO TIER PLAN

Firefighters Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	New Hires Funded Status	2.5% Multiplier Town Rate	Ret Elig Town Rate	OT 100 Town Rate	OT 300 Town Rate	5 Yr FAP Town Rate	10 YCL Town Rate	No COLA Town Rate	All Town Rate
2010	80.3%	41.95%	80.3%	41.95%	41.95%	41.95%	41.95%	41.95%	41.95%	41.95%	41.95%
2014	68.2%	51.44%	68.0%	52.55%	54.86%	55.55%	55.79%	54.75%	54.99%	53.82%	49.22%
2019	72.1%	56.30%	71.3%	53.29%	57.71%	59.02%	59.49%	57.50%	57.96%	55.72%	46.93%
2024	78.0%	45.11%	76.5%	39.32%	45.10%	46.81%	47.42%	44.82%	45.43%	42.50%	31.01%
2029	83.0%	52.21%	80.9%	44.24%	51.09%	53.12%	53.85%	50.77%	51.49%	48.02%	34.40%
2034	92.4%	51.32%	91.0%	42.73%	49.68%	51.74%	52.48%	49.35%	50.08%	46.56%	32.74%
2039	97.4%	42.90%	96.7%	33.95%	40.90%	42.96%	43.70%	40.57%	41.30%	37.78%	23.96%

Police Officers Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	New Hires Funded Status	2.5% Multiplier Town Rate	Ret Elig Town Rate	OT 100 Town Rate	OT 300 Town Rate	5 Yr FAP Town Rate	10 YCL Town Rate	No COLA Town Rate	All Town Rate
2010	90.0%	39.31%	90.0%	39.31%	39.31%	39.31%	39.31%	39.31%	39.31%	39.31%	39.31%
2014	77.1%	49.69%	77.0%	49.67%	51.99%	47.28%	47.53%	51.79%	51.98%	50.97%	46.69%
2019	79.8%	52.14%	79.3%	47.73%	52.69%	42.59%	43.14%	52.27%	52.67%	50.51%	41.35%
2024	83.0%	42.13%	81.9%	34.83%	41.48%	27.95%	28.69%	40.91%	41.45%	38.56%	26.28%
2029	86.3%	47.57%	84.6%	38.88%	46.23%	31.29%	32.10%	45.61%	46.20%	43.01%	29.44%
2034	93.5%	46.55%	92.2%	37.37%	44.83%	29.65%	30.48%	44.20%	44.80%	41.56%	27.78%
2039	97.5%	43.31%	96.8%	33.87%	41.33%	26.15%	26.98%	40.70%	41.30%	38.06%	24.28%

MEMBER CONTRIBUTIONS

We have discussed possible changes to actuarial assumptions and methods and changes to benefits to provide contribution relief to the Town. Another possibility to reduce the Town's contribution requirements and help secure future pension benefits is an increase in member contribution rates.

For the police, a contribution increase would be subject to collective bargaining. It is also our understanding that in order to retain the State tax premium moneys for fire and police, a contribution increase could only be accompanied by an increase in benefits. Alternatively, we understand the State Division of Retirement would accept a reduction in current benefits followed by an increase back to current benefit levels accompanied by a member contribution increase.

We have analyzed the impact of increasing member contributions under the following schedule.

	Possible Member Contribution Rates	
	Current Members	New Hires
October 1, 2009	8%	10%
October 1, 2010	9%	10%
October 1, 2011 and after	10%	10%

We have considered the impact of increasing the contribution rates for current and future members and, alternatively, only for new hires.

Under all of these alternatives, we have assumed the Town will retain the State tax premium distributions that it currently uses to partially offset its contribution to the Firefighters Plan and the Police Officers Plan.

Below we present the projected cost impact of the possible increases in member contribution rates. The funded status shown is as of the beginning of the previous fiscal year (i.e., the valuation date for determining the contribution rate).

General Employees Retirement System

Fiscal Year End	Current Plan		Increase Member Contributions			
			Current & New Members		New Members Only	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	88.2%	18.71%	88.2%	18.71%	88.2%	18.71%
2014	67.8%	26.26%	67.8%	22.73%	67.8%	25.42%
2019	70.9%	27.36%	70.9%	23.83%	70.9%	25.62%
2024	74.9%	30.30%	74.9%	26.77%	74.9%	27.86%
2029	83.1%	29.17%	83.1%	25.64%	83.1%	26.26%
2034	91.4%	23.83%	91.4%	20.30%	91.4%	20.59%
2039	96.6%	23.04%	96.6%	19.51%	96.6%	19.62%

Firefighters Retirement System

Fiscal Year End	Current Plan		Increase Member Contributions			
			Current & New Members		New Members Only	
	Funded Status	Town Rate	Funded Status	Town Rate	Funded Status	Town Rate
2010	80.3%	41.95%	80.3%	41.95%	80.3%	41.95%
2014	68.2%	51.44%	68.2%	48.26%	68.2%	50.38%
2019	72.1%	56.30%	72.1%	53.12%	72.1%	54.28%
2024	78.0%	45.11%	78.0%	41.93%	78.0%	42.47%
2029	83.0%	52.21%	83.0%	49.03%	83.0%	49.08%
2034	92.4%	51.32%	92.4%	48.14%	92.4%	48.14%
2039	97.4%	42.90%	97.4%	39.72%	97.4%	39.72%

Police Officers Retirement System

Fiscal Year End	Current Plan Funded Status	Current Plan Town Rate	Increase Member Contributions: Current & New Members Funded Status	Current & New Members Town Rate	New Members Only Funded Status	New Members Only Town Rate
2010	90.0%	39.31%	90.0%	39.31%	90.0%	39.31%
2014	77.1%	49.69%	77.1%	46.67%	77.1%	48.75%
2019	79.8%	52.14%	79.8%	49.12%	79.8%	50.13%
2024	83.0%	42.13%	83.0%	39.11%	83.0%	39.44%
2029	86.3%	47.57%	86.3%	44.55%	86.3%	44.60%
2034	93.5%	46.55%	93.5%	43.53%	93.5%	43.53%
2039	97.5%	43.31%	97.5%	40.29%	97.5%	40.29%

Member contributions to pension plans are usually made at a fixed percent of pay. As a result, the employer has to make-up any differences in total contribution increases. (In good times, the employer also realizes the benefit of contribution decreases.) An alternative would be to allow the member contribution to vary in relation to changes in the employer's contribution rate. For example, the member contribution could be set at 30% of the Town's contribution rate. Under this approach the member would share with the Town in the annual contribution fluctuations. A maximum range could be applied to the member contribution rate, for example, not greater than 12% of pay or less than 6% of pay. We know of one City in Florida that has a variable member contribution structure.

Key issues to consider under a variable member contribution approach are:

- The percent of sharing between members and the Town on the cost of the plans.
- The maximum and minimum member contribution rates.
- Legal requirements to maintain IRS qualified plans.

Florida Statutes Requirement for Retiree Medical

Florida Statute 112.0801 requires all municipalities to provide retirees and their eligible dependents access to the same health and hospitalization coverage that is offered to active employees at a premium no more than the premium cost applicable to active employees. To determine the health and hospitalization plan costs, the employer commingles the claims experience of the retiree group with the claims experience of the active group. Retirees covered under Medicare may be experience rated separately from non-Medicare retirees, provided the cost does not exceed that of the active group and coverage is basically the same.

The Florida Statute requires all municipalities to provide an implicit subsidy to retirees. As claims costs typically increase with age, the cost of an insurance plan comprised exclusively of retired members would be expected to be much higher than the claims costs of a plan comprised of only younger, active members. By blending the two populations and basing the plan cost on comingled claims experience, the retiree receives an implicit subsidy. This benefit, in and of itself, is greater than what many retirees may receive in other states around the Country.

The Town's OPEB plan benefits

The Town of Palm Beach (the Town) currently allows both pre-Medicare and Medicare eligible retirees to purchase health insurance for themselves and their dependent spouses at 50% of the retiree specific rate. According to the most recent actuarial evaluation, the Town can charge retirees a maximum of 62% of the retiree specific rate due to the State Statute in calendar year 2009. As a basis for comparison to the other organizations in Palm Beach County, Cavanaugh Macdonald Consulting (CMC) assumed the Town provides pre-Medicare retirees a 12% subsidy for both the retiree and spouse premium. Due to separate experience rating, Medicare eligible retirees are provided a 50% subsidy for both the retiree and spouse premium.

The Town is proposing a new sliding scale subsidy formula for current retirees that would be based on pension earnings and years of service. Retirees would pay between 50% of the retiree specific rate up to the maximum rate allowable by State Statute for pre -Medicare retirees. Retirees in the lowest monthly pension quartile with the highest years of service would receive the greatest subsidy. The sliding scale would become effective January 1, 2010. Members hired on or after October 1, 2009 would be charged the maximum allowable per state statute, thus only receiving the implicit health insurance subsidy.

Options

There are options that could reduce the Town's OPEB liability while allowing for additional post-retirement subsidies for retirees. Current and future Medicare eligible retirees could potentially benefit from a fully insured Medicare Supplement plan or Medicare Advantage plan, or at the minimum, a of choice of the pre-Medicare plan and a post-Medicare plan. The Medicare Supplement or Medicare Advantage plan premium would most likely be less than the Town's current Medicare eligible premium. This change could help lower the Town's explicit liability, along with lower retiree's out-of-pocket costs. An Attorney General's Opinion may need to be rendered to ensure that this coverage would meet the requirements of Florida Statute 112.0801.

Regardless of a change to the Medicare eligible health coverage, changing the Medicare eligible prescription drug plan to a prescription drug plan (PDP) under an employer group waiver plan (EGWP) could allow for the same level of benefits (pharmacy plan design), with a lower premium, while also allowing for a reduction in the annual OPEB cost. GASB allows for the inclusion of the future decreases in PDP prescription drug costs due to Medicare Part D, unlike the Retiree Drug Subsidy (RDS).

Creating a subsidy payable through the pension plans that is to go toward post-retirement health costs could be funded by an additional payroll deduction from members. If the subsidy is payable without requiring proof of coverage (i.e., the retiree is not required to participate in a health insurance plan), the liability would be reported as a pension obligation.

Options for pre-funding retiree healthcare include a Section 115 Trust, 401(h) Account, and a Voluntary Beneficiaries Association (VEBA). These options allow for employees and/or the employer to set aside assets to pay toward future post-retirement benefits. A description of each option follows.

<u>Section 115 Trusts</u>

A Section 115 Trust is an employer established trust that is exempt for federal income tax because it is an "integral part" of a municipality or because it serves an "essential government function". Trust benefits for eligible medical expenses are provided tax-free. The establishment of a Section 115 Trust is generally less expensive than a VEBA because there are fewer IRS interpretations required. Additionally, a Section 115 Trust is generally considered to be more flexible than a 401(h) account. Employee contributions can be made on a pre-tax basis if the employee irrevocably elects to participate, and additional employee contributions may be allowed on a post-tax basis.

The Trust can be set up to provide for individual accounts for each employee or a pooled funded for all employees. Individual accounts are often depleted before the retiree's death. Individual employees would have limited control over their accounts since this type of Trust is established and maintained by the employer. The Trust can be structured to provide a fixed or non-fixed amount for medical expenses per month for life.

401(h) Account

A 401(h) account is a separate account within an employer's defined benefit pension plan that can be funded by both employer and employee contributions (these can me made on a pre-tax basis) and which must be used to pay retiree health benefits. Medical benefits must be subordinate to pension benefits to meet the requirements of section 401(h). The 401(h) trust must have a separate account for funding, actuarial and record-keeping purposes, but the plan is administered under the existing pension board, so no new administrative structure is needed. Contributions to the 401(h) will accumulate tax-free and the retiree health benefits provided through the account will also be provided tax-free to retirees. There are tax qualification issues related to this type of account that may jeopardize the qualification of the entire pension plan.

Voluntary Employee Beneficiary Associations

According to the IRS, *"A voluntary employees' beneficiary association (VEBA) under Internal Revenue Code section 501(c)(9) is an organization organized to pay life, sick, accident, and similar benefits to members or their dependents, or designated beneficiaries if no part of the net earnings of the association inures to the benefit of any private shareholder or individual. The organization must meet the following requirements:*

1. *It must be a voluntary association of employees;*
2. *The organization must provide for payment of life, sick, accident, or other similar benefits to members or their dependents or designated beneficiaries and substantially all of its operations are for this purpose; and*
3. *Its earnings may not inure to the benefit of any private individual or shareholder other than through the payment of benefits described in (2) above."*

A VEBA Trust is a tax-exempt trust that is funded by employers and/or employees through percentage of payroll deductions as negotiated between the employer and a union as well as accumulated sick leave and vacation pay upon separation from service. The funds in the VEBA trust accumulate tax-free and the medical expense reimbursements provided through the trust will also be provided tax-free to retirees. VEBA trusts receive criticism for substantial administrative costs and due to the depletion of the retiree's account balance before the retiree's death. A VEBA is not in any way voluntary, as the IRS requires all employees of the covered group to participate.

Recommendations

Reducing Medicare eligible plan costs could reduce the Town's OPEB cost while also adding to the Town's ability to recruit, reward, and retain employees. Many plans that do not provide a health subsidy also do not reduce the Medicare eligible plan costs once the retiree becomes eligible for Medicare. The Town can offer competitive Medicare eligible coverage by offering a lower plan cost once the retiree is Medicare eligible by offering the choice of the current pre-Medicare plan or a reduced cost Medicare Advantage or Medicare Supplement Plan. Studying the cost of switching Medicare eligible medical and/or prescription drug coverage could be undertaken. While evaluating plan options, it is important to note that the current level of federal subsidies provided in Medicare Advantage plans may not continue.

If the proposed benefit structure is implemented, the Town may become less competitive in the human resource market by only offering the State imposed implicit subsidy. To maintain competitiveness, the Town may wish to consider one or more of the above pre-funding options and reinstate an explicit subsidy.

We have prepared a comparison of the Town's pension and other postemployment benefits (OPEB) with the benefits offered by other organizations in the Palm Beach area. For the most part we relied on the Town's input in compiling the list of comparable organizations. The complete list of comparable organizations is included later in this section. We also worked with Town staff in developing the benefit provisions we would include in the survey.

To compile the survey information we relied on information provided by pension plan administrators and municipal officials in the various locations. We also referred to summary plan description and local ordinance code information available through the internet. The private sector companies in the survey did not provide us with information for the survey. For those companies we relied on information published in their financial reports and information provided to us by Town staff.

Pension Plan Survey Results

The tables at the back of this section present the detailed survey information compiled for all the comparable organizations.

The types of pension benefits provided by the private sector companies in the survey are summarized below.

Organization	Description of Pension Plan
Florida Power and Light	Defined benefit and defined contribution plans.
Florida Public Utilities	Frozen defined benefit plan for employees hired before January 1, 2005 and defined contribution plan for all employees.
Wackenhut Corporation	Defined contribution plan.
Waste Management	Defined benefit plan for members of collective bargaining units. Defined contribution for all other employees.

In the following tables we present an approximate ranking from best to worse of selected pension plan benefit provisions for general employees, firefighters and police officers. We have included Palm Beach in the ranking. The rankings show the Town's pension plans provide benefits that are near the top for all employees, but especially for fire and police.

For some provisions, especially retirement eligibility, the rankings can be subjective since it may not be clear which provision is better. Also, in cases with equal benefit provisions (such as a 3% multiplier) the reader may have to consider other benefit provisions to evaluate the overall ranking. For example, a municipality with a 3% multiplier and a guaranteed COLA provides a more valuable benefit than one with a 3% multiplier and an ad hoc COLA.

General Employees Pension – Comparative Rankings

Ranking	Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	BB 3%	FRS None	FRS N/A	LW 20 & out / R75	DB 5 years	**PB 2 years**	FRS 3%	**PB 75% J&S**	FRS None
2	BR 3%	WPB None	WPB N/A	**PB 30 & out / 55 & 10**	BB 5 years	DB 2 years	J 3%	DB 60% J&S	J None
3	RB 3%	BR None	BR N/A	RB 50 & 20 / 55 & 10	NPB 5 years	RB 2 years	NPB3%	WPB 50% J&S	PBC None
4	LW 3%	LW None	LW N/A	WPB 30 & out / 60 & 0	FRS 6 years	LW 2 years	PBC 3%	PBG 10 YCL	NPB 0% to 4%
5	**PB 2.75%**	NPB None	NPB N/A	BB 30 & out / 62 & 5	WPB 6 years	WPB 3 years	**PB 2%**	T 10 YCL	DB 2.5%
6	DB 2.5%	PBC None	PBC N/A	FRS 30 & out / 62 & 6	J 6 years	PBG 3 years	WPB 2%	BR 5 YCL	T 5%
7	PBG 2.5%	PBG 100%	T 50	J 30 & out / 62 & 6	T 6 years	FRS 5 years	LW $2.50/year + CPI	FRS Life	WPB 5.5%
8	NPB 2.5%	T 100%	PBG 40	T 30 & out / 62 & 6	PBC 6 years	BR 5 years	BB Suppl	J Life	PBG 6%
9	WPB 2.2%	J 100%	J 33-1/3	PBC 30 & out / 62 & 6	RB 8 years	J 5 years	BR None	BB Life	RB 6%
10	T 2%	**PB 82.5%**	**PB 30**	DB 30 & out / 62 & 10	**PB 10 years**	BB 5 years	PBG None	RB Life	**PB 6.47%**
11	FRS 1.6%	DB 75%	DB 30	PBG 62 & 0	BR 10 years	T 5 years	DB None	LW Life	BB 7%
12	J 1.6%	BB 75%	BB 25	NPB 62 & 9	PBG 10 years	NPB 5 years	RB None	NPB Life	LW 7.8%
13	PBC 1.6%	RB 70%	RB 23-1/3	BR 55 & 20 / 53 & 30	LW 10 years	PBC 5 years	T None	PBC Life	BR 5% to 8.65%
14	G None	G None	G None	G None	G None	G None	G None	G None	G None

Legend
FRS = Florida Retirement System (inlcudes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several municipalities)
PB = Town of Palm Beach
WPB = City of West Palm Beach
BR = City of Boca Raton
J = Town of Jupiter
PBG = City of Palm Beach Gardens
DB = City of Delray Beach
BB = City of Boynton Beach
RB = City of Riviera Beach
LW = City of Lake Worth
T = Village of Tequesta
NPB = Village of North Palm Beach
G = Village of Greenacres
PBC = Palm Beach County

For general employees, the City of Lake Worth appears to provide the most generous pension benefits. Lake Worth pension benefits include a 3% multiplier, 100% maximum benefit, 20 and out and Rule of 75, two-year final average pay and a COLA based on CPI. Three other cities provide 3% multipliers but no guaranteed COLA. The

Town's general employees' multiplier of 2.75% is fifth in the ranking, but it also includes other favorable benefits such as, two-year final average pay, a 2% per year COLA and a free 75% joint and survivor form of payment for married members.

The Town's general employees' 2.75% multiplier is over 70% greater than the FRS multiplier of 1.6%. However, FRS has no member contributions and provides a 3% COLA compared to the Town's 2% COLA.

We should note that Boca Raton has made a recent change affecting future pension benefits for its general employees. For employees hired after October 31, 2007 the multiplier has been reduced from 3% to 1.75%. At the same time, member contributions were reduced from 8.65% to 5%.

Firefighters Pension – Comparative Rankings

Ranking	Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	WPB 4.0%	LW None	LW N/A	**PB 20 & Out/ 50 & 10/ Rule of 65**	BB 5 Years	WPB 2 Years	FRS 3%	WPB 75% JS	FRS None
2	LW 3.75% / 3.50% + Adj	PBC None	PBC N/A	BR 20 & Out/ 55 & 10	G 6 Years	**PB 2 Years**	PBC 3%	**PB 75% JS**	PBC None
3	**PB 3.5%**	G None	G N/A	DB 20 & out/ 55 & 10	FRS 6 Years	LW 2 Years	G 3%	DB 60% JS	NPB 2.00%
4	BR 3.4% + Sppl	BB None	BB N/A	LW 20 & Out/ 55 & 10/ Rule of 75	PBC 10 Years	BR 2 Years	BR 3%/2%	LW 10 YCL	G 4.00%
5	DB 3.0% / 3.5%	RB None	RB N/A	PBC 20 & Out / 55 & 10	T 6 Years	RB 2 Years	NPB CPI	BR 10 YCL	T 5.00%
6	FRS 3.0%	NPB None	NPB N/A	RB 20 & Out/ 55 & 10	PBG 5 Year Partial	DB 3 Years	PBG 1% / 2% / 3% Age 53, Age 54, Age 55	PBC 10 YCL	DB 6.00%
7	PBC 3.0%	FRS 100%	FRS 33.3	G 25 & Out/ 55 & 6	WPB 10 Years	FRS 5 Years	**PB 1% / 2% Deferred 3 Years**	G 10 YCL	**PB 6.82%**
8	G 3.0%	T 100%	PBG 33	PBG 25 & Out/ 52 & 10	LW 10 Years	PBC 5 Years	BB 2% Deferred 5 Years	PBG 10 YCL	PBG 6% - 8%
9	PBG 3.0%	BR 100%	T 32.3	BB 25 & Out/ 55 & 10	**PB 10 Years**	G 5 Years	DB 1%	BB 10 YCL	RB 8.00%
10	BB 3.0%	PBG 99%	BR 29.4	NPB 52 & 25/ 55 & 0	BR 10 Years	PBG 5 Years	WPB Plan Gain	RB 10 YCL	BR 9.20%
11	RB 3.0%	WPB 92%	**PB 25**	FRS 52 & 25/ 55 & 6	DB 10 Years	BB 5 Years	LW Plan Gain	T 10 YCL	LW 11.25%
12	T 2.90%	**PB 87.5%**	DB 25	T 52 & 25/ 55 & 6	RB 10 Years	T 5 Years	RB None	NPB 10 YCL	BB 12%
13	NPB 2.5%	DB 87.5%	WPB 23	WPB 26 & Out/ 55 & 10/ 50 & 15	NPB 10 Years	NPB 5 Years	T None	FRS Life	WPB 19.20%

Legend
FRS = Florida Retirement System (inlcudes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several municipalities)
PB = Town of Palm Beach
WPB = City of West Palm Beach
BR = City of Boca Raton
PBG = City of Palm Beach Gardens
DB = City of Delray Beach
BB = City of Boynton Beach
RB = City of Riviera Beach
LW = City of Lake Worth
T = Village of Tequesta
NPB = Village of North Palm Beach
G = Village of Greenacres
PBG = Palm Beach County (Lantana Firefighters)

Except for the cities of West Palm Beach and Lake Worth, the multiplier for the Firefighters Plan is greater than any other organization in the survey. Lake Worth does not provide a guaranteed COLA and the required member contributions of 11.25% are greater than the firefighters contribution rate of 6.82% to the Town's pension plan. The members' contribution rate for firefighters at West Palm Beach is 19.20%.

Police Officers Pension – Comparative Rankings

Ranking	Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	PBG 3.5%	J None	J N/A	**PB 20 & Out/ 50 & 10/ Rule of 65**	BB 5 Years	BR 2 Years	FRS 3%	**PB 75% JS**	FRS None
2	BB 3.5%	WPB None	WPB N/A	J 55 & 10/ Age 60 / Rule of 65	G 6 Years	**PB 2 Years**	PBC 3%	WPB 66⅔% JS	PBC None
3	BR 3.5% + Sppl	LW None	LW N/A	PBG 20 & Out/ 52 & 10	FRS 6 Years	RB 2 Years	G 3%	DB 60% JS	NPB 2.00%
4	**PB 3.5%**	RB None	RB N/A	BB 20 & Out/ 55 & 10/ 50 & 15	PBC 6 Years	LW 2 Years	BR 3%/2%	PBG 10 YCL	G 4.00%
5	DB 3.0%	G None	G N/A	BR 20 & Out/ 55 & 10	T 6 Years	DB 3 Years	WPB CPI	BB 10 YCL	T 5.00%
6	J 3.0%	NPB None	NPB N/A	DB 20 & out/ 55 & 10	PBG 5 Year Partial	J 3 Years	NPB CPI	BR 10 YCL	DB 6.00%
7	LW 3.0%	PBG 100%	PBG 28.6	LW 20 & Out/ 55 & 10/ Rule of 75	BR 10 Years	WPB 3 Years	**PB 1% / 2% Deferred 3 Years**	J 10 YCL	**PB 6.98%**
8	RB 3.0%	BB 100%	BB 28.6	RB 20 & Out/ 55 & 10	**PB 10 Years**	PBG 5 Years	DB 1%	LW 10 YCL	BB 7%
9	FRS 3.0%	T 100%	T 32.3	WPB 25 & Out/ 55 & 10/ 50 & 20	DB 10 Years	BB 5 Years	PBG Plan Gain	RB 10 YCL	LW 7.06%
10	PBC 3.0%	FRS 100%	FRS 33.3	G 25 & Out/ 55 & 6	J 10 Years	G 5 Years	J Suppl	G 10 YCL	J 7.56%
11	G 3.0%	PBC 100%	PBC 33.3	NPB 52 & 25/ 55 & 0	LW 10 Years	FRS 5 Years	LW $2.50 Per Year	T 10 YCL	RB 8.00%
12	WPB 3.0%	BR 87.5%	BR 25	FRS 52 & 25/ 55 & 6	RB 10 Years	PBC 5 Years	BB None	NPB 10 YCL	PBG 8.60%
13	T 2.90%	**PB 87.5%**	PB 25	PBC 52 & 25/ 55 & 6	WPB 10 Years	T 5 Years	RB None	FRS Life	BR 9.20%
14	NPB 2.5%	DB 87.5%	DB 25	T 52 & 25/ 55 & 6	NPB 10 Years	NPB 5 Years	T None	PBC Life	WPB 11.00%

Legend
FRS = Florida Retirement System (inlcudes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several municipalities)
PB = Town of Palm Beach
WPB = City of West Palm Beach
BR = City of Boca Raton
J = Town of Jupiter
PBG = City of Palm Beach Gardens
DB = City of Delray Beach
BB = City of Boynton Beach
RB = City of Riviera Beach
LW = City of Lake Worth
T = Village of Tequesta
NPB = Village of North Palm Beach
G = Village of Greenacres
PBG = Palm Beach County

With respect to police officers, only the cities of Boca Raton, Palm Beach Gardens and Boynton Beach provide a 3.5% multiplier for all years of service. Member contributions to the Boca Raton and Palm Beach Gardens plans are 9.2% and 8.6%, respectively, which are higher than the Police Officers Plan member contribution rate of 6.98%. Members contribute 7% to the Boynton Beach plan. Also, Boca Raton does provide a 2% COLA, but Palm Beach Gardens and Boynton Beach do not provide a guaranteed COLA. Boca Raton has recently adopted a deferral period on the COLA of one to three years depending on the member's number of years in the DROP. No organization in the survey provides a greater multiplier to its police officers than Palm Beach.

For both fire and police, the multiplier of 3.5% is over 16% greater than the FRS benefit multiplier of 3%. On the plus side, for general employees, fire and police, FRS provides a 50% greater COLA and requires no member contributions.

Other Postemployment Benefits (OPEB) Survey Results

The detailed survey information compiled for all the comparable organizations is presented at the end of this section.

The availability of OPEB benefits from the private sector companies in the survey are summarized below.

Organization	Description of OPEB Benefits
Florida Power and Light	Sponsors a contributory postretirement plan for health care and life insurance benefits.
Florida Public Utilities	Sponsors a postretirement medical plan.
Wackenhut Corporation	No OPEB benefits provided.
Waste Management	Provides postretirement health care and other benefits only to retired employees as of December 31, 1998.

The majority of the organizations surveyed only provide the implicit health insurance subsidy to retirees (as required by the State Statute). Members participating in the Florida Retirement System (FRS) receive $5 per month per year of service upon retirement to use toward the payment of health care premiums. The maximum monthly subsidy for members who retire from FRS is $150 per month, and the minimum amount is $30 per month. Only one organization, besides FRS, offers a subsidy based on years of service. The Town of Jupiter Police Pension plan also offers a subsidy that is intended to be used toward health care, but is reported as part of the pension liability. There are a few organizations in Palm Beach County with Voluntary Employee Beneficiary Associations (VEBA) in place. VEBAs appear to be more prevalent with Police and Firefighter employment groups. The amount of salary contributed to VEBAs varies from 1% of pay up to 4% of pay and usually are paid by the employer in exchange for pay raise or other benefits concessions.

The Town's current benefit structure places the Town near the top of the post-retirement health care rankings for members that would retire with minimum service requirements, and in the middle of the rankings for members that would retire based on meeting a higher service requirement.

The Town's proposed benefit structure places the Town at the bottom of the rankings for new hires. The Town would not be as competitive with organizations that are providing the same benefit (access to the health plan at the blended rate) if those organizations are also offering VEBAs to help offset health care costs.

Tables showing the comparable organizations for the survey and the information compiled in the survey are provided on the following pages.

Comparable Organizations

1. Florida Retirement System (FRS) which includes PBSO, county, local public colleges and universities, public agencies such as SFWMD and SWA, and several municipalities
2. City of West Palm Beach
3. City of Boca Raton
4. Town of Jupiter
5. City of Palm Beach Gardens
6. City of Delray Beach
7. City of Boynton Beach
8. City of Rivera Beach
9. City of Lake Worth
10. Village of Tequesta
11. Village of North Palm Beach
12. Village of Greenacers
13. Palm Beach County (includes Palm Beach County Fire Rescue)
14. Florida Public Utilities (FPU)
15. Florida Power and Light (FPL)
16. Waste Management (private sector) found at www.wm.com
17. Wackenhut Corporation (private sector with corporate headquarters in Palm Beach Gardens)

FRS EMPLOYERS* - PALM BEACH COUNTY

Acme Improvement District
Board of County Commissioners
City of Atlantis [1,4]
City of Boca Raton [3]
City of Boynton Beach [3,4]
City of Greenacres
City of Pahokee
City of Palm Beach Gardens [3,4]
Clerk of Circuit Court
Day Star Academy of Excellence
Florida Inland Navigation District
Good Schools for All Leadership Academy
G-STAR School of the Arts for Motion Pictures & Television
Gulf Stream Goodwill Academies, Inc.
Indian Trail Improvement District
Inlet Grove Community High School, Inc.
Lake Worth Drainage District
Loxahatchee Groves Water Control District
Palm Beach Community College
Palm Beach County Solid Waste Authority
Palm Beach Soil & Water Conservation
Palm Beach Workforce Development Consortium
Port of Palm Beach
Property Appraiser
Riviera Beach Maritime Academy
Royal Palm Beach, Village
School Board
Shawano Drainage District
Sheriff
South Florida Conservancy
South Florida Water Management District
South Indian River Water Control District
South Tech Charter Academy, Inc.
Supervisor of Elections
Survivors Charter School
Tax Collector
Town of Haverhill [4]
Town of Highland Beach [1,3,4]
Town of Juno Beach [1,4]
Town of Jupiter [3,4]
Town of Ocean Ridge [1,3,4]
Town of Palm Beach Shores [1,4]
Town of South Palm Beach [1,4]
Village of Tequesta
Village of Wellington [3,4]
Western Academy Charter School

Note: Italicized agencies withdrew from the FRS effective January 1, 1996, and, new employees hired on or after this date do not participate in the FRS.
[1] This agency participates in the FRS for its police employees.
[2] This agency participates in the FRS for its fire employees.
[3] This agency participates in the FRS for its elected officials.
[4] This agency participates in the FRS for its general employees.

*List obtained from FRS website, direct verification with FRS for accuracy to be performed by consultant.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for General Employees

Organization	Florida State Retirement System	Type of Retirement Plan		Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension			Vested Pension	
		Defined Benefit	Defined Compensation				Age	Service	Rule	Eligibility	Deferral Age
Florida Retirement System		Yes	Yes [1]	1.60% up to Age 62 or 30 years of service 1.63% up to Age 63 or 31 years of service 1.65% up to Age 64 or 32 years of service 1.68% up to Age 65 or 33 or more years of service	100%	59.5	62 Any Age	6 30	None	6 years of service	62
City of West Palm Beach	No	Yes [3]	Yes	.75% for each year of non-contributory membership service 2.20% of prior and contributing service	None	N/A	60 55 [4] Any Age	0 25 30	None	Everyone [5]	60 [6]
City of Boca Raton [8]	Elected Officials	Yes	Yes (Plan A, B, C)	Plan A (Hired Before 10/1/1987) 3.00% per year of Continuous Service Plan B (Hired After 9/30/1987, Before 11/1/2007) 3.00% per year of Continuous Service Plan C (Hired after 10/31/ 2007) 1.75% per year of Continuous Service	None	N/A	53 55 65	30 20 Any	68 (Early Retirement)	10 years of service	65 [9]
Town of Jupiter	Yes	Yes	Yes	1.60% up to Age 62 or 30 years of service 1.63% up to Age 63 or 31 years of service 1.65% up to Age 64 or 32 years of service 1.68% up to Age 65 or 33 or more years of service	100%	59.5	62 Any Age	6 30	None	6 years of service [1]	62
City of Palm Beach Gardens [10]	Yes	Yes	Yes	2.5% For All years of Credited Service	100%	40	62	Any	None	10 years of service	62 [11]
City of Delray Beach	No	Yes	No	2.50% [12] For All Years of Credited Service (Minimum annual benefit of $6,000 for members with 10 or more year of service)	75% [12]	30	60 Any	10 30	None	5 years of service [13]	60
City of Boynton Beach	No	Yes	No	3.00% For All Years of Credited Service	75%	25	62 55 Any	5 25 30	None	5 years of service	62 [16]
City of Riviera Beach	No	Yes	No	3.00% For All Years of Credited Service	70%	23 ?	55 52 ½ 50 65	10 15 20 Any	75	8 years of service [18]	65 [19]
City of Lake Worth	No	Yes	No	3.00% For All Years of Credited Service	None	N/A	Any	20 10	75	10 years of service [20]	62
Village of Tequesta [23]	No	Yes	No	2.00% For All Years of Credited Service	100%	50	62 Any Age	6 30	None	6 years of service	62
Village of North Palm Beach	No	Yes	No	2.50% For Service Under 20 (Member Rate of 4.00%) or 2.25% For Service Under 20 (Member Rate of 2.00%) or 2.00% For Service Under 20 (Member Rate of 0.00%) 1% For Service Above 20	None	N/A	62 65	9 Any	None	5 years of service [24]	65
Village of Greenacres [23]	No	No	Yes								
Palm Beach County	Yes	Yes	Yes [1]	1.60% up to Age 62 or 30 years of service 1.63% up to Age 63 or 31 years of service 1.65% up to Age 64 or 32 years of service 1.68% up to Age 65 or 33 or more years of service	None	N/A	62 Any Age	6 30	None	6 years of service [1]	62

NR = No Response

[1] Members can elect to participate in the Defined Benefit Plan or the Investment Plan. Vesting for FRS Investment Plan is 1-year. Participation in the Investment Plan excludes members from participating in the DROP.

[2] Up to 500 hours included ("Annual Leave")

[3] West Palm Beach General Employees Restated Defined Benefit Plan is restricted to members hired prior to September 10, 1997.

[4] Age 50 with 25 years of service for members hired prior to October 1, 1970.

[5] All members are 100% vested as of September 10, 1997.

[6] Benefit begins on or after meeting age and service requirement for (unreduced or early) retirement.

[7] For valuation purposes, form of payment for married participants is 50% Continuance.

[8] The Defined Benefit Plan is divided into Plan A (members hired prior to September 30, 1997) and Plan B (members after September 30, 1987). Members hired after November 1, 2007 may elect to enroll in the Defined Contribution Plan or participate in the Defined Benefit Plan (Plan C).

[9] Payable at Normal Retirement Date or reduced from Age 65

[10] The Defined Benefit Plan for General Employees was closed to new hires hired after May 1, 1995. Members could elect to participate in FRS. *(Source: City of Palm Beach CAFR 2008)*

[11] If the service requirement was met for unreduced benefits prior to termination, deferred age is determined at the earliest eligibility for unreduced benefits

[12] Members not part of the NCFO collective bargaining unit may elect to receive a 3.00% formula benefit for future service, (and past service may be purchased at the 3.00% formula benefit), with a maximum benefit of 90%.

[13] 50% Vested at 5 years of service, with vesting percentage increasing 10% for each year after 5, 100% vesting occurring at 10 years of service

[14] For married participants, a monthly income payable for life of member; upon death of member 100% of member's benefit payable to spouse for one year and 60% thereafter until death or remarriage of spouse. For non-married participants a life annuity.

[15] 2.50% for NCFO members (can vary form year to year); 2.5% for all others. Those non-NCFO members who elect to receive the 3% multiplier must contribute an additional 3.45% for a total of 5.95%

[16] Deferral Age is 55 if member had 25 years of service upon termination

[17] In lieu of receiving a COLA, a supplemental benefit may be paid in years that investment return exceeds the assumed rate of return. The amount that investment return exceed the assumed return will be divided equally among all participants. The supplemental benefit will not be paid if the Plan had experienced cumulative losses form all sources after October 1, 2001.

[18] 50% Vested at 8 years of service, with vesting percentage increasing 25% for each year after 8, 100% vesting occurring at 10 years of service

[19] Benefit is payable at age 65 of at the Normal Retirement Date using actual service plus later age.

[20] 50% Vested at 10 years of service, with vesting percentage increasing 10 for each year after 10, 100% vesting at 20 years of service

[21] Unused sick leave included in final average compensation for members hired before 10/1/1979

[22] Benefits of those already retired increase $2.50 per year, until the number of dollars equals total Credited Service. Also one half actuarial gain is used to increase benefit of those retired for at least three years. The increase is limited to the CPI increase over the last year.

[23] This agency withdrew from FRS effective January 1, 1996 and, new employees hired on or after this date do not participate in the FRS

[24] The Vested percentage is 50% for those terminating with crediting service between 5 and 7 years of service, 75% for service between 7 and 9 years and 100% for those terminating with 9 or more years of credited service.

[25] For those retired before 2/1/1982, those hired after 9/20/2000 or those hired before 10/1/2000 who elect to contribute an extra 2%, a 3% COLA increase is paid annually from the Plan.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for General Employees

Organization	Final Average Pay Period				DROP		Annual Retiree Cola		Normal Form of Benefit	Survivor Benefit	Employee Contribution	Social Security Benefits
	Basis	Overtime	Accumulated Vacation	Sick Leave								
Florida Retirement System	Highest 5 Years of Employment	None	Yes[2]	None	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66? % Continuance	Not Required	Yes
City of West Palm Beach	Highest 3 Years of Employment	None	None	None	No		Yes	2% Simple	50% Continuance	100% Continuance 50% Continuance[7]	5.50%	Yes
City of Boca Raton[8]	Highest 5 Years of Employment	None	None	None	Yes	5 Years	No	N/A	5-Year Certain and Life	100% Continuance	Plan A 8.65% Plan B 8.65% Plan C 5.00%	NR
Town of Jupiter	Highest 5 Years of Employment	None	Yes[2]	None	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66? % Continuance	Not Required	Yes
City of Palm Beach Gardens[10]	Highest 3 Years of Employment	None	None	None	No		No	N/A	10-Year Certain and Life	100% Continuance 75% Continuance 66? % Continuance 50% Continuance	6.00%	Yes
City of Delray Beach	Highest 2 Years of Employment	None	None	None	Yes	5 Years	No	N/A	60% Continuance[14]	100% Continuance 75% Continuance 66? % Continuance 50% Continuance	2.50%[15]	Yes
City of Boynton Beach	Highest 5 Years of Employment	Yes	Yes	Yes	Yes	5 Years	Yes	Supplemental Benefit[17]	Life Annuity	66? % Continuance	7.00%	Yes
City of Riviera Beach	Highest 2 Years of Employment	Yes	Yes	Yes	No		No	N/A	Life Annuity	100% Continuance 75% Continuance 50% Continuance	6.00%	NR
City of Lake Worth	Highest 2 Years of Employment	None	None	None[21]	Yes	5 Years	Yes	CPI[22]	Life Annuity	100% Continuance 66? % Continuance 50% Continuance	7.80%	NR
Village of Tequesta[23]	Highest 5 Years of Employment	None	None	None	No		No	N/A	10-Year Certain and Life	100% Continuance 66? % Continuance 50% Continuance	5.00%	Yes
Village of North Palm Beach	Highest 5 Years of Employment	Yes	None	None	No		Yes[25]	3% Compound	Life Annuity	100% Continuance 75% Continuance 66? % Continuance 50% Continuance	4.00% 2.00% 0.00%	Yes
Village of Greenacres[23]												Yes
Palm Beach County	Highest 5 Years of Employment	None	Yes[2]	None	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66? % Continuance	Not Required	Yes

NR = No Response

1 Members can elect to participate in the Defined Benefit Plan or the Investment Plan. Vesting for FRS Investment Plan is 1-year. Participation in the Investment Plan excludes members from participating in the DROP.

2 Up to 500 hours included ("Annual Leave")

3 West Palm Beach General Employees Restated Defined Benefit Plan is restricted to members hired prior to September 10, 1997.

4 Age 50 with 25 years of service for members hired prior to October 1, 1970.

5 All members are 100% vested as of September 10, 1997.

6 Benefit begins on or after meeting age and service requirement for (unreduced or early) retirement.

7 For valuation purposes, form of payment for married participants is 50% Continuance.

8 The Defined Benefit Plan is divided into Plan A (members hired prior to September 30, 1997) and Plan B (members after September 30, 1987). Members hired after November 1, 2007 may elect to enroll in the Defined Contribution Plan or participate in the Defined Benefit Plan (Plan C).

9 Payable at Normal Retirement Date or reduced from Age 65

10 The Defined Benefit Plan for General Employees was closed to new hires hired after May 1, 1995. Members could elect to participate in FRS *(Source: City of Palm Beach CAFR 2008)*

11 If the service requirement was met for unreduced benefits prior to termination, deferred age is determined at the earliest eligibility for unreduced benefits

12 Members not part of the NCFO collective bargaining unit may elect to receive a 3.00% formula benefit for future service, (and past service may be purchased at the 3.00% formula benefit), with a maximum benefit of 90%.

13 50% Vested at 5 years of service, with vesting percentage increasing 10% for each year after 5, 100% vesting occurring at 10 years of service

14 For married participants, a monthly income payable for life of member; upon death of member 100% of member's benefit payable to spouse for one year and 60% thereafter until death or remarriage of spouse. For non-married participants a life annuity.

15 2.50% for NCFO members (can vary form year to year); 2.5% for all others. Those non-NCFO members who elect to receive the 3% multiplier must contribute an additional 3.45% for a total of 5.95%

16 Deferral Age is 55 if member had 25 years of service upon termination

17 In lieu of receiving a COLA, a supplemental benefit may be paid in years that investment return exceeds the assumed rate of return. The amount that investment return exceed the assumed return will be divided equally among all participants. The supplemental benefit will not be paid if the Plan had experienced cumulative losses form all sources after October 1, 2001.

18 50% Vested at 8 years of service, with vesting percentage increasing 25% for each year after 8, 100% vesting occurring at 10 years of service

19 Benefit is payable at age 65 of at the Normal Retirement Date using actual service plus later age.

20 50% Vested at 10 years of service, with vesting percentage increasing 10 for each year after 10, 100% vesting at 20 years of service

21 Unused sick leave included in final average compensation for members hired before 10/1/1979

22 Benefits of those already retired increase $2.50 per year, until the number of dollars equals total Credited Service. Also one half actuarial gain is used to increase benefit of those retired for at least three years. The increase is limited to the CPI increase over the last year.

23 This agency withdrew from FRS effective January 1, 1996 and, new employees hired on or after this date do not participate in the FRS

24 The Vested percentage is 50% for those terminating with crediting service between 5 and 7 years of service, 75% for service between 7 and 9 years and 100% for those terminating with 9 or more years of credited service.

25 For those retired before 2/1/1982, those hired after 9/20/2000 or those hired before 10/1/2000 who elect to contribute an extra 2%, a 3% COLA increase is paid annually from the Plan.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for General Employees

Organization	Description of Retirement Plan(s) Offered For Employees
Florida Public Utilities	The Company sponsors a qualified defined benefit pension plan for employees hired before January 1, 2005. Employees hired after January 1, 2005 and employees who elected to transfer out of the defined benefit pension plan are not eligible for the defined benefit pension plan and are in a 401k match plan. In March 2009, the Company's Board of Directors authorized amendments to the pension plan in an effort to reduce anticipated future pension expenses. As a result of these amendments, the Company will freeze the pension plan for all participants effective December 31, 2009. The freeze will include freezing salary rates at 2009 average compensation levels as of December 31, 2009 and only allowing two additional service years to be earned by active participants with less than 35 years of service. In addition to the freeze, the reduced early retirement eligibility will be lowered from 30 years to 20 years.
Florida Power and Light	FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries. FPL Group also has a supplemental executive retirement plan which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees. The qualified pension plan has a fully funded trust dedicated to providing the benefits under the plan.
Waste Management	Defined contribution plans — Waste Management Retirement Savings Plan covers employees (except those working subject to collective bargaining agreements, which do not provide for coverage under such plans) following a 90-day waiting period after hire. Eligible employees may contribute as much as 25% of their annual compensation under the Savings Plan, subject to annual contribution limitations established by the IRS. Under the Savings Plan, the match, in cash, 100% of employee contributions on the first 3% of their eligible compensation and match 50% of employee contributions on the next 3% of their eligible compensation, resulting in a maximum match of 4.5%. Both employee and Company contributions vest immediately. Defined benefit plans — Certain of the Company's subsidiaries sponsor pension plans that cover employees not covered by the Savings Plan. These employees are members of collective bargaining units. In addition, Wheelabrator Technologies Inc., a wholly-owned subsidiary, sponsors a pension plan for its former executives and former Board members.
Wackenhut Corporation	Wackenhut Corporation sponsors a 401(k) defined contribution plan which is partnered with ING to assist in managing the complexities of plan administration as well as helping to meet Wackenhut's fiduciary responsibilities. Employees elect to have a portion of his or her wages paid directly, or "deferred," into his or her 401(k) account. As a benefit to its employee, Wackenhut elects to "match" part of the employee's contribution by depositing additional amounts in the employee's 401(k) account (or may offer a profit sharing contribution to the plan). The percentage of match is dependent on individual contracts determined at hire. Corporate office employees of Wackenhut receive a match of 25% of the first 5% of yearly salary. Vesting for the Defined Contribution is determined under a 3-year cliffed program. Currently, there are no retirees receiving benefits from the Defined Contribution Plan offered by Wackenhut.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for Firefighters

Organization	Florida State Retirement System	Type of Retirement Plan		Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension			Vested Pension	
		Defined Benefit	Defined Compensation				Age	Service	Rule	Eligibility	Deferral Age
Florida Retirement System		Yes	Yes	2.00% Credited Service from 12/1/1970 through 9/30/1974 3.00% Credited Service After 10/1/1974	100%	33.3	55 52 Any Age Any Age	6 25 25[1] 30[2]	None	6 years of service	55
City of West Palm Beach	No	Yes	No	The greater of (a) and (b) (a) 4% per year of Credited Service (max 92% of FAS) (b) 2.5% per year of Credited Service rendered prior to 10/01/1988 + 2.0% per year of Credited Service rendered after 9/30/1988	92% Benefit Formula (a)	23	50 55 Any Age	15 10 26	None	10 years of service	55
City of Boca Raton	No	Yes	No	3.40% per year of Credited Service Supplemental Benefit $10 per month per year of service (including DROP service)	100.0%	29.41	55 Any Age	10 20	None	10 years of service	55
City of Palm Beach Gardens	No	Yes	No	3.00% per year of Credited Service	99%	33	52 Any Age	10 25	None	5 years of service[9]	52
City of Delray Beach	No	Yes	No	2.50% under 20 years of Credited Service 3.50% 20 or more years of Credited Service	87.5%	30.7	55 Any Age	10 20	None	10 years of service	55
City of Boynton Beach	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	10 20	None	5 years of service	55
City of Riviera Beach	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	10 20	None	10 years of service	55
City of Lake Worth	No	Yes	No	Retired or enter DROP on or After April 1, 2006: 3.75 per year of Credited Service Employed on January 1, 2006: 3.50% per year of Credited Service Annual Adjustment: $2.50 for each full year from member's date of retirement until October 1st. The number of years is limited to Credited Service at Retirement	None	N/A	55 Any Age	10 20	75	10 years of service	55
Village of Tequesta	No	Yes	No	3.0% for the first 6 Years of Service 3.5% for the next 4 years of Service 4.0% for the next 5 years of Service 3.0% for the next 6 years of Service 2.0% for the next 4 years of Service 3.0% for all years after 25 years Supplemental Benefit $20 per year of service , up to a monthly maximum benefit of $600	100%	32.33	55 52	6 25	None	6 years of service	55
Village of North Palm Beach	No	Yes	No	2.5% per year of Credited Service for the first 24 Years of Service 0% per year of Credited Service for each year after 24 years up to 30 years 2.0% per year of credited service for each year in excess of 30	None	N/A	55 52	0 25	None	10 years of service	55
Village of Greenacres	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	6 25	None	6 years of service	55
Palm Beach County Firefighters Town of Lantana Firefighters' Pension Fund	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	10 20	None	10 years of service	55

NR = No Response

1 Twenty-five total years of special risk service

2 Thirty years of any creditable service

3 Up to 500 hours included ("Annual Leave")

4 For Plan A pension recipients, adjustments are based on changes in certain percentages of the average of the highest regular monthly salaries paid by the City for persons holding the Civil Service classification of a firefighter in the fifth step. Adjustments are made using the three-year period ending the first day of June in the calendar year prior to such monthly payment.

5 The Board of Trustees may make a supplemental distribution each April 1 from net accumulated experience from net accumulated investment and other experience gains from pro 10/1/98 formula Plan B pension recipients, to the extent of investment earnings in excess of 7.0% (to a 2% excess) plus one-half of 10/1/98 formula investment earnings in excess of 9% if any, applied to the actuarial present value of pensions being paid pre- 10/1/98 formula Plan B retired members and beneficiaries. Post 9/30/98 formula Plan B pension recipients receive a distribution for earnings in excess of 8.25% (to a 0.75% excess) plus one-half of investment earnings in excess of 9%, if any.

6 Automatic 75% of retired participant's monthly pension for surviving spouse.

7 Basic wages, regular longevity, EMT, paramedic, fire inspection, hazardous materials and pickup contributions.

8 The first increase for a firefighter with 22 years of service is given at the later of one year after retirement and age 52; a firefighter with 21 years of service, the first increase is given at the later of two years after retirement or age 52; a firefighter with 20 years of service the

9 25% Vested at 5 years of service, with vesting percentage increasing 15% for each year after 5, 100% vesting occurring at 10 years of service

10 An additional 2% of salary will come out of member share account and credited as member contributions to the defined benefit provision of the Pension Fund.

11 Additional increases are available when the revenue under Chapter 175 and 185 exceeds $504,922.

12 For married retirees, an annuity payable for the life of the member; upon the death of the member 100% of the Member benefit is payable for one year and 60% payable thereafter until remarriage or death. For unmarried retirees the Normal Form of Benefit is 10 Year

13 The actuarial gain realized for the prior fiscal year is divided equally amount retirees and paid in the form of a thirteenth check in December of each year. If the was no actuarial gain realized for the prior fiscal year and the cumulative fain since September 30, 1997 is less than $0, then no payment will be paid.

14 Gross salary including overtime, public safety pay increment and special pay, but excluding bonuses such as longevity, safety and attendance awards and any other nonregular payments such as unused sick leave or vacation pay.

15 The amount of pension benefit will be increased or decreased in accordance with the changes in the consumer price index (CPI-W U.S.) published by the U.S. Bureau of Labor Statistics. Adjustments of pension payments will be made on October 1 of each year reflecting the change in the consumer price index over the twelve-month period ending April 1. The maximum increase or decrease in the member's pension benefit for any one (1) year is three (3) percent. However, the member's pension benefit can never be reduced below the amount the member received at date of retirement. Such adjustments shall apply to each retirement, survivor or disability benefit in pay status as of each October 1.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for Firefighters

Organization	Final Average Pay Period					DROP		Annual Retiree COLA		Normal Form of Benefit	Survivor Benefit	Employee Contribution	Share Accounts	Social Security Benefits
	Basis	Overtime	Special Detail	Accumulated Vacation	Sick Leave	Yes/No	Maximum Participation Duration							
Florida Retirement System	Highest 5 Years of Employment	Yes	No	Yes[3]	No	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66⅔% Continuance	Not Required	NR	Yes
City of West Palm Beach	Highest 2 Years of Employment	No	No	No	No	Yes BackDROP	5 Years	Yes[4]	See Note[5]	10-Year Certain and Life[6]	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	19.20%	Yes	Yes
City of Boca Raton	Highest 2 Years of Employment[7]	No	No	No	No	Yes	5 Years	Yes	3% Compound[8] COLA for DROP participants is delayed 1, 2 or 3 years for service at DROP of 22, 21 and 20 years respectively	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	9.20%	None	NR
City of Palm Beach Gardens	Highest 5 Years of Employment	Yes	Yes	Yes	Yes	Yes	5 Years	Yes	1% For Members Age 53 2% For Members Age 54 3% For Members Age 55 DROP deposits include COLA	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	6%[10]	Yes	Yes
City of Delray Beach	Highest 3 Years of Employment	No	No	No	No	Yes	5 Years	Yes	1% Compound For Retirements After October 1, 1993[11]	60% Continuance[12]	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	6.00%	None	Yes
City of Boynton Beach	Highest 5 Years of Employment	Yes	No	Yes	No	Yes	5 Years or 30 Years of Credited Service	Yes	2% Compound Begins 5 Years After Retirement or DROP	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	12.00%	None	NR
City of Riviera Beach	Highest 2 Years of Employment	No	No	Yes	No	Yes	5 Years or 30 Years of Credited Service	None		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	8.00%	NR	Yes
City of Lake Worth	Highest 2 Years of Employment	No	No	No	No	No	7 Years	No[13]		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	11.25%	Yes	Yes
Village of Tequesta	Highest 5 Years of Employment	Yes	No	Yes	Yes	Yes	5 Years 30 Years of Credited Service	None		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	5.00%	None	Yes
Village of North Palm Beach	Highest 5 Years of Employment	Yes[14]	Yes	No	No	No		Yes	3% Compound[15]	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	2.00%	NR	Yes
Village of Greenacres	Highest 5 Years of Employment	No	No	No	No	No		Yes	3% Compound	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	4.00%	NR	NR
Palm Beach County Firefighters Town of Lantana Firefighters' Pension Fund	Highest 5 Years of Employment	Yes	No	Yes[3]	No	Yes	5 Years	Yes	3% Compound COLA Begins at age 55 Retirements on or after 10/1/2005 only	10-Year Certain and Life	Options Available on Actuarial Equivalent Basis	2.00%	Yes	Yes

NR = No Response

1 Twenty-five total years of special risk service

2 Thirty years of any creditable service

3 Up to 500 hours included ("Annual Leave")

4 For Plan A pension recipients, adjustments are based on changes in certain percentages of the average of the highest regular monthly salaries paid by the City for persons holding the Civil Service classification of a firefighter in the fifth step. Adjustments are made using the three-year period ending the first day of June in the calendar year prior to such monthly payment.

5 The Board of Trustees may make a supplemental distribution each April 1 from net accumulated experience from net accumulated investment and other experience gains from pro 10/1/98 formula Plan B pension recipients, to the extent of investment earnings in excess of 7.0% (to a 2% excess) plus one-half of 10/1/98 formula investment earnings in excess of 9% if any, applied to the actuarial present value of pensions being paid pre- 10/1/98 formula Plan B retired members and beneficiaries. Post 9/30/98 formula Plan B pension recipients receive a distribution for earnings in excess of 8.25% (to a 0.75% excess) plus one-half of investment earnings in excess of 9%, if any.

6 Automatic 75% of retired participant's monthly pension for surviving spouse.

7 Basic wages, regular longevity, EMT, paramedic, fire inspection, hazardous materials and pickup contributions.

8 The first increase for a firefighter with 22 years of service is given at the later of one year after retirement and age 52; a firefighter with 21 years of service, the first increase is given at the later of two years after retirement or age 52; a firefighter with 20 years of service the first increase is given at the

9 25% Vested at 5 years of service, with vesting percentage increasing 15% for each year after 5, 100% vesting occurring at 10 years of service

10 An additional 2% of salary will come out of member share account and credited as member contributions to the defined benefit provision of the Pension Fund.

11 Additional increases are available when the revenue under Chapter 175 and 185 exceeds $504,922.

12 For married retirees, an annuity payable for the life of the member; upon the death of the member 100% of the Member benefit is payable for one year and 60% payable thereafter until remarriage or death. For unmarried retirees the Normal Form of Benefit is 10 Year Certain and Life

13 The actuarial gain realized for the prior fiscal year is divided equally amount retirees and paid in the form of a thirteenth check in December of each year. If the was no actuarial gain realized for the prior fiscal year and the cumulative fain since September 30, 1997 is less than $0, then no payment will be paid.

14 Gross salary including overtime, public safety pay increment and special pay, but excluding bonuses such as longevity, safety and attendance awards and any other nonregular payments such as unused sick leave or vacation pay.

15 The amount of pension benefit will be increased or decreased in accordance with the changes in the consumer price index (CPI-W U.S.) published by the U.S. Bureau of Labor Statistics. Adjustments of pension payments will be made on October 1 of each year reflecting the change in the consumer price index over the twelve-month period ending April 1. The maximum increase or decrease in the member's pension benefit for any one (1) year is three (3) percent. However, the member's pension benefit can never be reduced below the amount the member received at date of retirement. Such adjustments shall apply to each retirement, survivor or disability benefit in pay status as of each October 1.

Town of Palm Beach Survey –
Comparable Organizations Pension Benefits for Police Officers

Organization	Florida State Retirement System	Type of Retirement Plan		Defined Benefit Formula Multiplier	Max %	Years to Max %	Eligibility for Unreduced Service Pension			Vested Pension	
		Defined Benefit	Defined Compensation				Age	Service	Rule	Eligibility	Deferral Age
Florida Retirement System		Yes	Yes	2.00% Credited Service from 12/1/1970 through 9/30/1974 3.00% Credited Service After 10/1/1974	100%	33.3	55 52 Any Age Any Age	6 25 25[1] 30[2]	None	6 years of service	55
City of West Palm Beach	No	Yes	No	2.5% per year of credited service earned through March 31, 1987 + 3.0% per year of credited service earned after March 31, 1987	None	N/A	50 55 Any Age	20 10 25	None	10 years of service	55
City of Boca Raton	No	Yes	No	3.50% per year of Credited Service Supplemental Benefit $10 per month per year of service (including DROP service)	87.5%	25	55 Any Age	10 20	None	10 years of service	55
Town of Jupiter	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 60	10 Any Service	65	10 years of service	60
City of Palm Beach Gardens	No	Yes	No	3.50% per year of Credited Service Supplemental Benefit $12.50 per month per year of service	100%	28.6	52 Any Age	10 20	None	5 years of service[9]	52
City of Delray Beach	No	Yes	No	2.50% under 20 years of Credited Service 3.50% 20 or more years of Credited Service	87.5%	25	55 Any Age	10 20	None	10 years of service	55
City of Boynton Beach	No	Yes	No	3.50% per year of Credited Service plus Supplemental Benefit [13]	100%	28.6	55 50 Any Age	10 15 20	None	5 years of service	55
City of Riviera Beach	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	10 20	None	10 years of service	55
City of Lake Worth	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	10 20	75	10 years of service	55
Village of Tequesta	No	Yes	No	3.0% for the first 6 Years of Service 3.5% for the next 4 years of Service 4.0% for the next 5 years of Service 3.0% for the next 6 years of Service 2.0% for the next 4 years of Service 3.0% for all years after 25 years Supplemental Benefit $20 per year of service , up to a monthly maximum benefit of $600	100%	32.33	55 52	6 25	None	6 years of service	55
Village of North Palm Beach	No	Yes	No	2.5% per year of Credited Service for the first 24 Years of Service 0% per year of Credited Service for each year after 24 years up to 30 years 2.0% per year of credited service for each year in excess of 30	None	N/A	55 52	0 25	None	10 years of service	55
Village of Greenacres	No	Yes	No	3.00% per year of Credited Service	None	N/A	55 Any Age	6 25	None	6 years of service	55
Palm Beach County Sheriffs	Yes	Yes	Yes	2.00% Credited Service from 12/1/1970 through 9/30/1974 3.00% Credited Service After 10/1/1974	100%	33.3	55 52 Any Age Any Age	6 25 25[1] 30[2]	None	6 years of service	55

NR = No Response

1 Twenty-five total years of special risk service

2 Thirty years of any creditable service

3 Up to 500 hours included ("Annual Leave")

4 Salaries included in Final Average Salary excludes lump sum payments for accumulated leave and contractual overtime. Other overtime is limited to 400 hours per year, effective January 1, 2005.

5 The basic increase is 3% but may be less (or may be zero) if the Consumer Price Index has increased by less than 3% a year since the first of the month following a retired member's 65th birthdate. The Board of Trustees may make a supplemental distribution each April 1 from net accumulated experience from all sources, if any, the extent of investment earnings in excess of 7.0% (to a 2% excess) for hires before April 1, 1987 and in excess of 8.25% (to a 0.75% excess) for hires after March 31, 1987 plus one-half of investment earnings in

6 Automatic 2/3 of retired participant's monthly pension for surviving spouse.

7 Earnings used for Average Monthly Earnings calculation may include up to 300 hours of overtime.

8 Supplemental benefit intended to be available for healthcare equals $100 plus for members who retire on or after October 1, 2001 a monthly benefit equal to the lesser of (i) $150 and (ii) the greater of (a) $30 and (b) $5 multiplied by Credited Service. Members in DROP do

9 25% Vested at 5 years of service, with vesting percentage increasing 15% for each year after 5, 100% vesting occurring at 10 years of service

10 Actuarial gains realized for prior fiscal year may be used to increase benefits on July 1st of each year for members who have been retired for at least 1 year. Upon approval by the Board of Trustees, the gain will be distributed to all pensioners as an equal percentage

11 Additional increases are available when the revenue under Chapter 175 and 185 exceeds $504,922.

12 For married retirees, an annuity payable for the life of the member; upon the death of the member 100% of the Member benefit is payable for one year and 60% payable thereafter until remarriage or death. For unmarried retirees the Normal Form of Benefit is 10 Year Certain and Life

13 All retirees in pay status are entitled to a monthly supplemental pension benefit paid in a lump sum on October 1 of each year. The supplemental benefit is funded by a 1% of pay contribution from the member and a 1% of pay contribution from the Chapter 185 money. The benefit pool is divided according to the total number of shares of all eligible retirees on a pro-rata basis. The number of shares allotted to each eligible retiree is the sum of credited service at retirement (maximum of 20 years) and the number of years the participant has been retired (maximum of 20 years). An individual retiree's distribution is the number of shares multiplied by the share value. The benefit creased upon the later of the death of the retired member of beneficiary.

14 Sick Leave up to a maximum 132 days - 100% for normal retirement with 20 or more years of service, 75% for all other benefits

15 On October 1, each year, a retiree's monthly benefit will be increased by $2.50. After you have been retired for three years, an additional cost of living adjustment may be paid it the Plan experiences an actuarial gain for the previous fiscal year.

16 Gross salary including overtime, public safety pay increment and special pay, but excluding bonuses such as longevity, safety and attendance awards and any other nonregular payments such as unused sick leave or vacation pay.

17 The amount of pension benefit will be increased or decreased in accordance with the changes in the consumer price index (CPI-W U.S.) published by the U.S. Bureau of Labor Statistics. Adjustments of pension payments will be made on October 1 of each year reflecting the change in the consumer price index over the twelve-month period ending April 1. The maximum increase or decrease in the member's pension benefit for any one (1) year is three (3) percent. However, the member's pension benefit can never be reduced below the amount the member received at date of retirement. Such adjustments shall apply to each retirement, survivor or disability benefit in pay status as of each October 1.

Town of Palm Beach Survey – Comparable Organizations Pension Benefits for Police Officers

Organization	Final Average Pay Period					DROP		Annual Retiree COLA		Normal Form of Benefit	Survivor Benefit	Employee Contribution	Share Accounts	Social Security Benefits
	Basis	Overtime	Special Detail	Accumulated Vacation	Sick Leave	Yes/No	Maximum Participation Duration							
Florida Retirement System	Highest 5 Years of Employment	Yes	No	Yes[3]	No	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66⅔% Continuance	Not Required	NR	Yes
City of West Palm Beach	Highest 3 Years of Employment	Yes[4]	No	No	No	Yes	5 Years or 30 Years of Credited Service	Yes	3% Compound[5]	10-Year Certain and Life[6]	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	11.00%	Yes Includes DROP Participants	Yes
City of Boca Raton	Highest 2 Years of Employment	Yes[7]	No	Yes	No	Yes	5 Years	Yes	3% Compound 2% Compound Retirement Occuring on or after 10/1/2001 COLA for DROP participants is delayed 1, 2 or 3 years for service at DROP of 22, 21 and 20 years respectively	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	9.20%	None	NR
Town of Jupiter	Highest 3 Years of Employment	Yes	No	No	No	Yes	5 Years	Yes	Supplemental Benefit[8]	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	7.56%	None	NR
City of Palm Beach Gardens	Highest 5 Years of Employment	Yes	Yes	Yes	Yes	Yes	5 Years or 33.5 Years of Credited Service	Yes[10]	Payable if actuarial gain, limited to 4%	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	8.60%	None	Yes
City of Delray Beach	Highest 3 Years of Employment	No	No	No	No	Yes	5 Years	Yes	1% Compound For Retirements After October 1, 1993[11]	60% Continuance[12]	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	6.00%	None	Yes
City of Boynton Beach	Highest 5 Years of Employment	Yes	No	Yes	Yes	Yes	5 Years or 30 Years of Credited Service	None		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	7.00%	None	Yes
City of Riviera Beach	Highest 2 Years of Employment	No	No	No	Yes[14]	Yes	5 Years or 30 Years of Credited Service	None		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	8.00%	NR	Yes
City of Lake Worth	Highest 2 Years of Employment	No	No	No	No	Yes	5 Years	Yes	Flat Dollar Amount $2.50 Per Year[15]	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	7.06%	Yes	Yes
Village of Tequesta	Highest 5 Years of Employment	Yes	No	Yes	Yes	Yes	5 Years 30 Years of Credited Service	None		10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	5.00%	None	Yes
Village of North Palm Beach	Highest 5 Years of Employment	Yes[16]	Yes	No	No	No		Yes	3% Compound[17]	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	2.00%	NR	Yes
Village of Greenacres	Highest 5 Years of Employment	No	No	No	No	No		Yes	3% Compound	10-Year Certain and Life	100% Continuance 75% Continuance 66⅔% Continuance 50% Continuance	4.00%	NR	NR
Palm Beach County Sheriffs	Highest 5 Years of Employment	Yes	No	Yes[3]	No	Yes	5 Years	Yes	3% Compound	Life Annuity	100% Continuance 66⅔% Continuance	Not Required	NR	Yes

NR = No Response

1 Twenty-five total years of special risk service

2 Thirty years of any creditable service

3 Up to 500 hours included ("Annual Leave")

4 Salaries included in Final Average Salary excludes lump sum payments for accumulated leave and contractual overtime. Other overtime is limited to 400 hours per year, effective January 1, 2005.

5 The basic increase is 3% but may be less (or may be zero) if the Consumer Price Index has increased by less than 3% a year since the first of the month following a retired member's 65th birthdate. The Board of Trustees may make a supplemental distribution each April 1 from net accumulated experience from all sources, if any, the extent of investment earnings in excess of 7.0% (to a 2% excess) for hires before April 1, 1987 and in excess of 8.25% (to a 0.75% excess) for hires after March 31, 1987 plus one-half of investment earnings in excess of 9% if any, for all hires, applied to the

6 Automatic 2/3 of retired participant's monthly pension for surviving spouse.

7 Earnings used for Average Monthly Earnings calculation may include up to 300 hours of overtime.

8 Supplemental benefit intended to be available for healthcare equals $100 plus for members who retire on or after October 1, 2001 a monthly benefit equal to the lesser of (i) $150 and (ii) the greater of (a) $30 and (b) $5 multiplied by Credited Service. Members in DROP do not receive this supplement

9 25% Vested at 5 years of service, with vesting percentage increasing 15% for each year after 5, 100% vesting occurring at 10 years of service

10 Actuarial gains realized for prior fiscal year may be used to increase benefits on July 1st of each year for members who have been retired for at least 1 year. Upon approval by the Board of Trustees, the gain will be distributed to all pensioners as an equal percentage increase in their benefit, but is

11 Additional increases are available when the revenue under Chapter 175 and 185 exceeds $504,922.

12 For married retirees, an annuity payable for the life of the member; upon the death of the member 100% of the Member benefit is payable for one year and 60% payable thereafter until remarriage or death. For unmarried retirees the Normal Form of Benefit is 10 Year Certain and Life

13 All retirees in pay status are entitled to a monthly supplemental pension benefit paid in a lump sum on October 1 of each year. The supplemental benefit is funded by a 1% of pay contribution from the member and a 1% of pay contribution from the Chapter 185 money. The benefit pool is divided according to the total number of shares of all eligible retirees on a pro-rata basis. The number of shares allotted to each eligible retiree is the sum of credited service at retirement (maximum of 20 years) and the number of years the participant has been retired (maximum of 20 years). An individual retiree's distribution is the number of shares multiplied by the share value. The benefit creased upon the later of the death of the retired member of beneficiary.

14 Sick Leave up to a maximum 132 days - 100% for normal retirement with 20 or more years of service, 75% for all other benefits

15 On October 1, each year, a retiree's monthly benefit will be increased by $2.50. After you have been retired for three year, an additional cost of living adjustment may be paid it the Plan experiences an actuarial gain for the previous fiscal year.

16 Gross salary including overtime, public safety pay increment and special pay, but excluding bonuses such as longevity, safety and attendance awards and any other nonregular payments such as unused sick leave or vacation pay.

17 The amount of pension benefit will be increased or decreased in accordance with the changes in the consumer price index (CPI-W U.S.) published by the U.S. Bureau of Labor Statistics. Adjustments of pension payments will be made on October 1 of each year reflecting the change in the consumer price index over the twelve-month period ending April 1. The maximum increase or decrease in the member's pension benefit for any one (1) year is three (3) percent. However, the member's pension benefit can never be reduced below the amount the member received at date of retirement. Such adjustments shall apply to each retirement, survivor or disability benefit in pay status as of each October 1.

Town of Palm Beach Survey – Comparable Organizations OPEB

Organization	Health Care Subsidy			Health Plan Benefits				
	General Employees	Fire Employees	Police Employees	Pre-65 Health Plan Options	Dental	Vision	Life	Post-65 Health Plan Options
South Florida Water Management District	FRS HIS and 2% discount per year of FRS service[1]	NA	NA	HMO, PPO	Yes	Yes	Yes	PPO Only
City of West Palm Beach	VEBA	VEBA	VEBA	HMO, PPO, POS[2]	Yes	Yes	Yes	HMO, PPO, POS[3]
City of Boca Raton	None	VEBA	None	HMO, PPO, POS	Yes	Yes	Yes	None
Town of Jupiter	FRS HIS	NA	Supplement[4]	HMO, PPO, HSA, HRA[5]	Yes	Yes	Yes	HSA, PPO[6]
City of Palm Beach Gardens	FRS HIS	VEBA	VEBA	HMO, PPO, HDHP	Yes	Yes	Yes	None
City of Delray Beach	None	VEBA	VEBA	HMO, PPO, OAP, CDHP (HRA)[7]	Yes	Yes	Yes	Same plan options
City of Boynton Beach	FRS HIS	VEBA[8]	None	PPO	Yes	Yes	Yes	HMO or PFFS
City of Rivera Beach	None	None	None	HMO, PPO	Yes	Yes	Yes	Same plan options
City of Lake Worth	None	None	None	HMO, PPO	Yes	Yes	Yes	None[9]
Village of Tequesta[10]	None	None	None	POS	Yes	Yes	Yes	POS
Village of North Palm Beach	None	None[11]	None[11]	HMO, POS	Yes	Yes	Yes	Same plan options
City of Greenacres[10]	None	None	None	HMO	Yes	Yes	Yes	Medicare Supplement
Palm Beach County	FRS HIS[12]	VEBA and FRS HIS[13]	FRS HIS[14]	HMO, PPO, POS	Yes	Yes	Yes	Same plan options or Medicare Supplement
Florida Public Utilities	The Company sponsors a postretirement medical program. The medical plan is contributory with participants' contributions adjusted annually.							
Florida Power and Light	FPL Group sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits plan) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements.							
Waste Management	Waste Management Holdings, Inc. and certain of its subsidiaries provided post-retirement healthcare and other benefits to eligible employees. Participation in the plan is limited to participating retired employees as of December 31, 1998.							
Wackenhut Corporation	No Benefits provided since there are no retirees.							

Notes:

The Florida Retirement System (FRS) Health Insurance Subsidy (HIS) is a monthly subsidy of $5 per year of creditable service, with a minimum HIS of $30 per month, and a maximum HIS of $150 per month.

Footnotes:

1) Note actives pay $5 per pay period toward future cost of retiree health insurance. Retirees may use HIS toward premiums. 2% Discount on premium per year of FRS service (up to 30 years) applies to retiree and dependent premiums.
2) HMO or PPO for General, PPO for Police, and HMO, POS or PPO for Firefighters.
3) For 2009 (and potentially going forward), retirees may switch to Medicare Plan and experience 25% savings in premiums if Medicare eligible.
4) Supplemental Benefit (payable through Pension) intended to be available for healthcare, equals $100 per month plus, for Members who retire on or after October 1, 2001, a monthly benefit equal to the lesser of (i) $150 and (ii) the greater of (a) $30 and (b) $5 x Credited Service. Members in the DROP are not eligible to receive this benefit until the DROP participation ends.
5) No Town contribution toward HSA or HRA for retirees, PPO plan to close in 2010.
6) PPO plan to close in 2010, potential Medicare Supplement Option for retirees in 2010.
7) No City contribution to HRA.
8) Post-Retirement Health Fund, funded by raises, approximately 2 more years to mature, $3,200 one-time annual lump sum payment to retiree.
9) No coverage past age 65 per 2008 CAFR.
10) Employees hired prior to 1/1/1996 participate in FRS and receive the HIS.
11) Police and Fire Pension Funds are considering allowing retirees to pay their insurance pre-tax out of their retirement earnings.
12) Voluntary Separation Initiation Program - Retirees pay what active members pay for first 3 years after retirement. Program window ended August 2009.
13) A Post-Retirement Health Fund is funded with 1% of contract pay raises that are paid to the fund rather than to firefighters. A retiree with 25 years of service can receive $140 + $17 per month of service for an annual benefit of $6,780. At age 65, retiree premiums are reduced to reflect lower claims cost due to Medicare as the primary insurer.
14) Palm Beach County Sheriff's Office declined to participate in survey.