

**PALM BEACH COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

Water Utilities	General Fund	\$ 2,500,000
		\$ 2,500,000
<b>Internal Service Funds</b>		
ISS	General Government Capital Projects	\$ 107,294
		\$ 107,294
<b>Total Internal Service Funds</b>		\$ 107,294
<b>Total Interfund Transfers Primary Government</b>		\$ 792,341,812

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) provide matching funds for the County's portion of grant agreements, (4) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (5) provide funding for various capital projects.

**6. RETIREMENT PLANS**

**FLORIDA RETIREMENT SYSTEM**

*Plan Description* - The County participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, Research, Education & Policy Section, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32315-9000 or calling 1-850-488-5706 or accessing their website site at: [http://dms.myflorida.com/human\\_resource\\_support/retirement](http://dms.myflorida.com/human_resource_support/retirement).

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment Plan. The two options are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum

**PALM BEACH COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

*Funding Policy* - The contribution requirements of the County are established and may be amended by the Florida Legislature. The County's contributions to FRS for the years ended September 30, 2007, 2006, and 2005 were \$87.9 million, \$70.7 million, and \$60.5 million, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2007:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

**PALM BEACH COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**PALM TRAN, INC. – DEFINED BENEFIT PLAN**

*Plan Description* – The Palm Tran, Inc. – Amalgamated Transit Union Local 1577 (Palm Tran) pension plan (the Plan) is a mandatory contribution, single-employer, defined benefit retirement program administered by the Pension Resource Center. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Board of Trustees (the Board) of the Palm Tran pension plan has the authority to establish and amend benefit provisions. Palm Tran issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the plan administrator at Pension Resource Center, 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, Florida 33410 or calling 1-561-624-3277 or accessing their website at: [www.resourcecenters.com](http://www.resourcecenters.com).

*Funding Policy* – The contribution requirements of plan members and Palm Tran, Inc. are established by the Pension Trust Agreement and may be amended by the Board. Plan members are required to contribute 2.5% of their annual covered payroll. Palm Tran, Inc. is required to contribute 13% of annual covered payroll.

The County's required contribution was determined as part of the January 1, 2007 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5.0% - 12.5%. Both (a) and (b) included an inflation component of 4.0%. The actuarial value of the Plan's assets was determined using the 5-year Smoothed Market asset valuation method. The Plan's unfunded actuarial liability is being amortized using the Level Percent Closed amortization method. The remaining amortization period for the Plan is 30 years.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation -
12/31/04	\$2,632,934	100%	\$ -
12/31/05	2,761,386	100	\$ -
12/31/06	2,909,900	100	\$ -

**LANTANA FIREFIGHTER'S – DEFINED BENEFIT/CONTRIBUTION PLAN**

*Plan Description* – The Lantana Firefighter's Pension Fund (LFPF) is a combined defined benefit and defined contribution pension plan covering Town of Lantana (Town) fire fighters employed by Palm Beach County (County). LFPF is governed by a Board of Trustees made up of representatives of the fire fighters and the Town. It provides a defined benefit retirement annuity to retiring participants and also provides a defined contribution retirement benefit in the form of share accounts, payable upon retirement, death or disability. LFPF issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. The County does not perform the investment function or have significant administrative involvement in the plan. The report may be obtained by writing to the plan administrator, Pension Resource

**PALM BEACH COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

Center, at 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, Florida 33410 or calling 1-561-624-3277 or accessing their website at: [www.resourcecenters.com](http://www.resourcecenters.com).

*Funding Policy* – (a) Plan members are required to contribute 10% of their salary to the Plan. Of this, 2% is allocated to the defined benefit portion of the Plan and 8% is allocated to the defined contribution portion. (b) Pursuant to Chapter 175, Florida Statutes, the Town imposes a 1.85% tax on fire insurance premiums paid to insure real or personal property within its corporate limits. 100% of the net proceeds of this 1.85% excise tax are allocated to the defined benefit portion of the Plan. (c) Because the County is ultimately responsible for the actuarial soundness of the Plan, the County must contribute an amount determined by the Trustees, in conjunction with the Plan’s actuary, to be sufficient, along with the employees’ contributions and the proceeds from the insurance tax, described above, to fund the defined benefits under the Plan. The current rate is 51.25% of annual covered payroll.

The County’s required contribution was determined as part of the September 30, 2006 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 7.0%. Both (a) and (b) included an inflation component of 5.0%. The actuarial value of LFPF assets was determined using the market value. LFPF’s unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2006 ranges from 4-20 years.

Note: The Actuarial Valuation report for 09/30/07 was not available.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/04	\$633,634	100%	\$ -
09/30/05	708,667	100	\$ -
09/30/06	833,858	100	\$ -

**COMPONENT UNIT**

Westgate/Belvedere Homes Community Redevelopment Agency (CRA) participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement.

See pages 58 and 59 for plan description and funding policy of the Florida Retirement System defined benefit and contribution plans. The contribution requirements of CRA are established and may be amended by the Florida Legislature. The CRA’s contributions to FRS for the years ended September 30, 2007, 2006, and 2005 were \$16,993, \$13,349, and \$13,867, respectively, equal to the required contributions for each year.