TOWN OF SURFSIDE, FLORIDA

RETIREMENT PLAN FOR THE EMPLOYEES OF THE TOWN OF SURFSIDE

A Pension Trust Fund of the Town of Surfside

Comprehensive Annual Financial Report
For the Fiscal Years Ended September 30, 2012 and 2011

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For the Fiscal Years Ended September 30, 2012 and 2011

Prepared by:
Town of Surfside
Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

TOWN OF SURFSIDE

9293 HARDING AVENUE
SURFSIDE, FLORIDA 33154
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January 29, 2013

Chairman Michael Feldman and
Pension Board Members
Retirement Plan for Employees of the
Town of Surfside
Surfside, Florida 33154

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the Town of Surfside Retirement Plan for Employees of the Town for the fiscal years ended September 30, 2012, and 2011. This report is a full and complete disclosure of the structure and financial status of the Plan. It has been prepared by the Town's Finance Department in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented date and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Plan. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly present the Net Assets Available for Pension Benefits, and the Changes in Net Assets Available for Pension Benefits.

The CAFR was performed to conform to the principles of governmental accounting and reporting set forth by the Government Accounting Standards Board. Transactions of the Plan are reported on the accrual basis of accounting for an overview and analysis of the financial activities of the Plan for the fiscal years ended September 30, 2012 and 2011 refer to the Management Discussion and Analysis on page 5. The CAFR is divided into five sections. These sections are described below:

Introductory Section - includes this Letter of Transmittal, which includes a description of the Plan's administrative structure, a summary of major Plan provisions and a listing of the Board members (Trustees), and Pension Consultants.

Financial Section - includes the independent auditor's report, Management's Discussion and Analysis, financial statements for the Plan and certain required supplementary information related to the Plan.

The Management's Discussion and Analysis (MD&A) (starting on page 5) summarizes the Statement of Plan Net Assets and Statements of Changes in Plan Net Assets and reviews the changes from the beginning to the end of the current year to the two prior years. The actual financial statements (in detail) are presented on pages 9 and 10. Also, presented in the MD&A on page 7 is a discussion of the funding status and a schedule of the Funded Progress Ratio showing the five previous years.

Investment Section - includes the investment activity report, a summary of investment policies, and reports related to investment performance and various other investment related schedules of the Plan.

Actuarial Section - contains the consulting actuary's Certification Letter as well as the results of the annual actuarial valuation report for the Plan.

Statistical Section - includes trend information that is considered statistical and/or financial in nature.

Plan History and Description

The Retirement Plan was established by a Town Ordinance approved by the Commission and became effective January 1, 1962. The benefit provisions, amendments thereto, and all other requirements are established by Town Ordinance.

The Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside.

The employee contributions originally were established at 5% with a benefit rate of 1-2/3% of average final covered compensation multiplied by the number of years of service. The maximum benefit allowable was established as 60%. Effective January 1, 1980, members had the option to increase their contributions to 7% of covered compensation to receive increased benefits. All employees hired subsequent to January 1, 1980, had the irrevocable option to contribute either 5% or 7%. For members who elected to contribute 7% the benefit rate was increased to 2% of the average final covered compensation multiplied by the number of years of service after January 1, 1980.

Effective July 1, 1996, employees were given the option to increase their contributions to 8%. For all members who elected to increase their contribution rate to 8% the benefit rate was increased to 2-1/2% for all service rendered after July 1, 1996.

Employee contributions were reduced to 6% for all employees previously contributing 7% or 8% effective February 1, 2003. The accrual rate was increased to 2.5% for all creditable service rendered after that date. Employees previously contributing 5% were given the one-time option to continue contributing at the 5% rate with an accrual benefit of 2%.

The maximum benefit allowable for general employees is 60% of the average final covered compensation (the average of five years for General Employees). Effective October 1, 2006, the maximum benefit allowable for Police Officers was increased to 90% of the average final covered compensation (the average of three years for all Police Officers). Police officers contribute at the rate of 8% of pensionable wages with a benefit accrual rate of 3.5% effective October 1, 2006.

Vesting in the employer contributions and earnings begins after achieving five years of credited service at 50% with 10% vesting for each additional year until reaching 100% vesting upon attaining ten years of credited service for all general employees. Effective October 1, 2007, the Plan was amended whereby Police Officers are 100% vested after five years of credited service.

If a member terminates employment prior to attaining vesting rights, the member receives a refund of contributions plus interest at the rate of 4% per annum.

The Town established a Deferred Retirement Option Program (DROP) for Police Officers and dispatchers only. Eligibility is the attainment of normal retirement date with a maximum period of participation in the DROP of five years. An employee's account in the DROP program is to be credited with interest based upon the actual Fund investment return. No payment may be made from the DROP until the employee actually separates from service from the Town. Subsequent to the year ended September 30, 2012, one Police Officer made the election to be included in the DROP program.

The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees along with the employees' contributions, increase gradually over time so that sufficient assets will be available to pay benefits when due.

The Plan provides for a 1.5% automatic annual cost of living benefit increase for all current and future retirees, disableds, beneficiaries, and vested terminated members who have been retired at least one year.

Normal retirement for members who are sworn Police Officers is the earliest of the date when you:

1. Reach age fifty-two and complete twenty years of creditable service;
2. Complete twenty-five years of creditable service;
3. Reach age 62, and have completed five years of creditable service.

All other members may retire at the age of sixty-two with 15 years of service, or at age 65 and the completion of ten years of creditable service.

Eligibility for early retirement is the earlier of age 55 and 15 years of creditable service or 20 years of creditable service.

Disability Benefits

Disability retirement is subject to approval by the Pension Board. To be eligible for a service connected disability, the disability must result from performance of service to the Town, and general employees must be approved by the Federal Social Security System for disability benefits. Members who become disabled because of a service incurred disability will receive benefits at the rate of 75% of your monthly compensation in effect on your date of disability. However, if such service connected disability was not a direct result of physical injury, the amount of the benefit is 45% of your rate of monthly compensation in effect on your date of disability.

Change in the Tax Treatment of Employee Contributions

The Town Commission passed an Ordinance, which became effective January 1, 2009, which changed the tax treatment of employee contributions from post-tax to pre-tax contributions.

Plan Administration

The Plan is a single employer defined benefit plan covering substantially all employees of the Town of Surfside. The administration and responsibility functions for the Plan are vested with the Pension Board of Trustees. The Pension Board includes two Town residents who are appointed by the Town Commission, the Town Manager, one member of the Police Department who is elected by that department, and one general employee who is elected by the general employees. One of the members appointed by the Town Commission serves as the Chairman of this Board of Trustees.

The Board has a fiduciary responsibility to the Plan and its participants and, as such must exercise prudent judgment in its oversight and administration of the Trust Fund.

The Pension Board of Trustees meets at least quarterly with its Performance Measurement Consultant, and the Investment Manager. Additionally, the Board employs an enrolled Actuarial Consultant (the "Actuary") to perform the annual actuarial valuation of the Plan to determine the funded status, current funding requirements and to monitor trends related to assumptions, expectations, and actual results.

The Actuary presents the Actuarial Valuation to the Board of Trustees on an annual basis.

Board Action

During the year, the Pension Board closely monitored the portfolio performance and targeted asset allocations. The Board reviews the Investment Policy on a periodic basis to determine the propriety of the asset allocations. The Board approved an Investment Policy which became effective on November 17, 2011. This investment policy utilizes separate investment approaches, each having a target allocation and range (based on market values). The asset allocations are reviewed annually. International equities are limited to a ten percent (at cost) target maximum of the total investments.

FINANCIAL INFORMATION

Controls

In developing and evaluating the Plan's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the following:

- Safeguarding of assets against loss from unauthorized use or disposition; and,
- Reliability and adequacy of the accounting records.

The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived. Reasonable assurance also recognizes that valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The Plan's internal accounting controls adequately safeguard assets and provide assurance that financial transactions are properly recorded.

The plan continuously reviews internal controls to ensure that the Plan's operating policies and procedures are being adhered to, and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the Plans's assets.

Assets, liabilities, revenues, and expenses are recorded using the accrual basis method of accounting. Revenues and expenses are recorded when earned or incurred, regardless of collection or disbursement. The Plan is actuarially evaluated using the entry age normal method.

Revenues and Expenses

Revenues essential to the sound funding of the Plan are from contributions and net investment earnings. Contributions are made to the Plan from the following:

Budgeted Town Funds - which are based on the actuarially determined rates in accordance with Florida Statutes (F.S.) Chapter 112.

Active Plan Participant Contributions - For the year ended September 30, 2012, the general employees contributed at the rates of 6%, of pensionable salary (or 5% for those who were grand fathered in at that rate). Police Officers contributed at the rate of 8% in accordance with the Police bargaining contract.

The Plan experienced an actuarial loss of $594,852 for the year ended September 30, 2012, and an actuarial loss of $821,095 (20.3%) for the year ended September 30, 2011.

Market Smoothing

The Board, as recommended by the consultants, adopted a market smoothing approach for actuarial asset valuation purposes. This approach spreads cyclical market variations over a rolling five-year period. This method of market asset valuation is known as the five-year smoothed market actuarial method.

Variations in investment return on an actuarial basis from year to year reflect investment gains and losses and the effects of market smoothing. Therefore, annual fluctuations in investment return as used in the Actuary's annual funding calculations, are not necessarily indicative of good or poor investment results for the current period.

Financial and Economic Summary

The investment markets continue to experience market volatility, and this trend is expected to continue while the Plan is diversified in a way that provides the best possible chance for achieving long-term returns to meet its obligations and objectives. It is of critical importance that the Plan continues to focus on low volatility and stability of returns going forward.

INVESTMENTS

The responsibility of oversight of Plan investments and policy-making decisions is given to the Trustees of the Retirement Plan. The Board meets quarterly to evaluate the fund's investment performance in aggregate and at the fund manager detail level. With the support of the custodian and the performance measurement consultant the Board will review the Investment Policy periodically, establish the proper asset allocation mix for the Plan, and set performance objectives and specific investment guidelines for the investment manager based on State Statutes and policy restrictions. The Board monitors and evaluates risk and volatility associated with the investments based on performance benchmark expectations, policy limitations regarding standard deviation, and sector diversification.

The Net Assets Available for Pension Benefits increased by approximately $2.092 million as of the year ended September 30, 2012. The Net Assets Available for Pension Benefits as of September 30, 2011, was a negative $187,940.

At the year ended September 30, 2012, the certain investments were transferred from active to passive management whereby common stocks totaling approximately $2.185 million under active management were sold, and index funds totaling approximately $2.196 million (passive management) were acquired, which was designed to optimize the portfolio, and to earn index returns. As of September 30, 2012, approximately 59.5% of the investments were under active management, and 40.5% were under passive management. Please refer to the Investment section of ths CAFR.

OTHER INFORMATION

Independent Audit

Florida Statutes require an annual independent audit of the Plan's financial statements. A.M. Jones, C.P.A., P.A. performed an audit on the financial statements, and has issued an unqualified opinion. Please refer to the auditor's report on page 1.

Professional Services

Professional consultants are appointed by the Pension Board to perform professional services considered essential to the effective and efficient operation of the Plan. The letter from the Actuary is included in this report. The type of consultants appointed and their respective expenses are listed on page 24 of this CAFR.

Acknowledgments

On behalf of the Board of Trustees, we would like to take this opportunity to express our gratitude to the staff of the Finance Department who were involved in the preparation of this report.

Sincerely,

Roger M. Carlton
Town Manager

Donald Nelson,
Finance Director

TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE
September 30, 2012

BOARD OF TRUSTEES

Michael Feldman, Chairman	Appointed by the Town Commission
Stan Bershad	Appointed by the Town Commission
Roger M. Carlton, Town Manager	Designated in Ordinance
Julio Torres	Elected by the Police Department
Yamileth Slate-McCloud	Elected by the General Employees

ADMINISTRATIVE

Finance Department:

Donald Nelson, Finance Director	Mayte D. Gamiotea, Controller

LIST OF CONSULTANTS

Performance Measurement Consultants	Burgess Chambers & Associates
Custodian	SunTrust Bank
Investment Manager	ICC Capital Management
Actuary	Gabriel, Roeder, Smith & Company
Attorney	Robert Klausner, Esq. Klausner & Kaufman, P.A.
Third Party Administrator	Mayte Gamiotea

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORTS

A.M. JONES, C.P.A., P.A.
certified public accountants
Alyce M. Jones, C.P.A., P.F.S.
3421 North Powerline Road, Pompano Beach, FL 33069 • Broward: 954-973-3421 • Dade: 305-948-5608 • FAX: 954-968-8215

Report of Independent Certified Public Accountants

Members of the Pension Board of Trustees
Retirement Plan for Employees of the
Town of Surfside, Florida

We have audited the accompanying Statements of Plan Net Assets of the Retirement Plan for Employees of the Town of Surfside as of September 30, 2012 and 2011, and the related Statements of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of the Retirement Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Retirement Fund and do not purport to, and do not, present fairly the financial position of the Town of Surfside as of September 30, 2012, and 2011, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust for pension benefits of the Town of Surfside, Florida, Retirement Plan for Employees of the Town of Surfside as of September 30, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 29, 2013, on our consideration of the Town of Surfside, Florida, Retirement Plan for Employees of the Town of Surfside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

MEMBER OF:
Florida Institute of Certified Public Accountants (FICPA), American Institute of Certified Public Accountants (AICPA), Private Companies Practice Section of AICPA (PCPS)

Management's discussion and analysis and the schedules of funding progress and employer contributions, and notes to the trend data, listed under required supplementary information in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the accompanying financial statements that collectively comprise the Retirement Fund's basic financial statements referred to above. The introductory section, supporting schedules, and the investment, actuarial, and statistical sections listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, supporting schedules, and the investment section, actuarial section, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A.M. Jones, C.P.A., P.A.
Pompano Beach, Florida
January 29, 2013

A.M. JONES, C.P.A., P.A.
certified public accountants
Alyce M. Jones, C.P.A., P.F.S.
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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Chairman Michael Feldman and
Board Members
Retirement Plan for Employees of the
Town of Surfside
Surfside, Florida 33154

We have audited the statement of plan net assets of the Town of Surfside, Florida Retirement Plan for Employees of the Town of Surfside (the Pension Plan) and the related statement of changes in plan net assets as of and for the plan year ended September 30, 2012, and have issued our report thereon dated January 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards, issued by* the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Pension Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Pension Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pension Plan's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER OF:
Florida Institute of Certified Public Accountants (FICPA), American Institute of Certified Public Accountants (AICPA), Private Companies Practice Section of AICPA (PCPS)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pension Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Pension Board, management and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A.M. Jones, C.P.A., P.A.
Pompano Beach, Florida
January 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

This discussion and analysis of the Retirement Plan for Employees of the Town of Surfside provides an overview of the financial activities and conditions for the fiscal years ended September 30, 2012 and 2011. Please review this discussion and analysis in conjunction with the transmittal letter (see pages i through v and the financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

The Plan's net assets held in trust for pension benefits increased by $2,092,144 from $10,463,981 for the year ended September 30, 2011 to $12,556,125 for the year ended September 30, 2012, (a increase of 20.00% over the prior year) as a result of the current year's activities.

The required contribution from the Town for the year ended September 30, 2012, decreased by $110,523 to $515,440, a 17.66% decrease. Employee contributions increased by $36,205 to $321,155, a increase of 12.71%. The total net decrease in the Town and employee contributions was $74,318 or 8.16%.

The Plan's investments had net investment income for the fiscal year ended September 30, 2012, of $1,927,598 compared with the a net investment loss of $338,591 for the fiscal year ended September 30, 2011.

Benefit payments for the year ended September 30, 2012, were $550,266 a decrease of $30,481 or 5.25% over the prior year benefit payments of $580,747.

PLAN HIGHLIGHTS

During the fiscal year ended September 30, 2012, the total Plan investments reported investment income of $1,927,598, net of management fees, and trading costs. The best investment performing asset category was the equity category under management with a net positive return of 28.81%. The total Plan performance for equities trailed the Hybrid Benchmark (index) by 1.39%, which is the Standard & Poors and Barclays Capital Aggregate indices combined. The Actuarial Assumption investment rate of return is 7.5%. The bond market experienced a 5.34% gain compared with the index of 5.16%.

The equity performance for equities under management for the fiscal ended September 30, 2011, was a negative return of 8.35% compared with the index of 1.15%. The fixed income performance for the fiscal year ended September 30, 2011, was 5.91% compared with the Benchmark index performance of 5.26%. (Refer to the Investment Section for more information).

The Actuarial Value of Assets as of the October 1, 2012, Actuarial Valuation Report was $12,768,477 with an Actuarial Accrued Liability of $14,287,456, which resulted in an Actuarial Accrued Unfunded Liability (UAAL) of $1,518,979. The funded ratio as of that date was 89.4%. As of the Actuarial Report dated October 1, 2011, the funded ratio was 94.1% with the Actuarial Value of Assets of $12,487,404, and an Actuarial Accrued Liability of $13,272,023 and an Unfunded Actuarial Accrued Liability of $784,619. (Refer to the Actuarial Section for more information).

USING THE ANNUAL REPORT

The financial statements, which reflect the activities of the Retirement Plan, are reported in the Statements of Plan Net Assets (see page 9). These statements are presented on a full accrual basis and reflect all trust activities as incurred.

A discussion of the actual components of this annual report, including the financial statements, is presented in the transmittal letter on page 'I The table below shows a comparative summary of Plan Net Assets:

TABLE 1
PLAN NET ASSETS

	September 30		
	2012	2011	2010
Cash & Cash Equivalents`	$ 641,774	$ 227,811	$ 379,388
Receivables and other	2,493,715	78,692	71,188
Investments	11,946,398	10,229,594	10,279,418
Total Assets	15,081,887	10,536,097	10,729,994
Liabilities	2,525,762	80,436	86,393
Prior period adjustment	-	8,320	-
Net Assets Held in Trust for Pension Benefits	$12,556,125	$10,463,981	$10,643,601

There was a net increase in net assets of $2,092,144 for current fiscal year. There was a net decrease in net assets of $179,620 for the fiscal year ended September 30, 2011. Both the increases and the decreases in net assets reflect market conditions and net changes in trust activities.

CHANGES IN PLAN NET ASSETS

The table below shows a comparative summary of the changes in net assets and reflects the activities of the trust.

TABLE 2
CHANGES IN NET ASSETS

	For the fiscal years ended:		
Additions:	2012	2011	2010
Contributions			
Employer	$ 515,440	$ 625,963	$ 553,919
Plan members	321,155	284,950	281,069
Buy back of contributions	12,982	-	-
Total contributions	849,577	910,913	834,988
Investment Income			
Net Income from Investing Activities	1,927,598	(338,591)	753,346
Total additions (deductions)	2,777,175	572,322	1,588,334
Deductions:			
Benefits	550,266	580,747	574,121
Refunds of contributions	59,355	106,499	49,843
Administrative expenses	75,410	73,016	69,101
Total deductions	685,031	760,262	693,065
Net increase (decrease)	2,092,144	(187,940)	895,269
Net Assets Held in Trust for Pension Benefits:			
Beginning of Year	10,463,981	10,643,601	9,748,332
Prior period adjustment	-	8,320	-
End of Year	$12,556,125	$10,463,981	$10,643,601

The benefit payments are a function of the changes in payments to retirees, their beneficiaries (if the retiree is deceased), and, new entrants during the period.

PLAN MEMBERSHIP

The table below reflects the Plan membership as of the beginning and the ending of the year.

TABLE 3
CHANGES IN PLAN MEMBERSHIP

	September 30		
Current employees	2012	2011	Change
Vested	33	30	3
Partially vested	12	14	(2)
Non-vested	34	34	-
	79	78	1

RETIREES, BENEFICIARIES, AND DISABLEDS

As of September 30, 2012, there were thirty-two (32) retirees, beneficiaries and disableds receiving benefits. There were thirty-four (34) receiving benefits as of September 30, 2011.

As of September 30, 2012, there were eight employees who had separated from service who were entitled to benefits, but were not yet receiving them. As of September 30, 2011, there were six employees who had separated from service, and were entitled to benefits, but were not receiving them.

FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, defined benefit pension plans have been underfunded when the employer failed to make annual actuarially required contributions to the Plan. The Town has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. Therefore, a net pension obligation (NPO) has not been required for the Plan. This is due in large part to implementation of conservative business practices and to the fund requirements established in Florida law.

In 1968, Florida became the first state to constitutionally require local governments to fund pension obligations in a reasonable and systematic manner. Additionally, Florida Statutes, Chapter 112 requires local pension plans to be funded based upon actuarial valuations prepared in conformance to industry standards and by enrolled actuaries. To ensure this, the State has engaged the services of an actuary. Each actuarial report must be submitted to and accepted by the State. State acceptance must be obtained before the actuarial report and its proposed contribution rate is authorized for use.

For Plan funding progress, the Retirement Plan for Employees of the Town of Surfside utilizes the Entry Age Actuarial Cost Method. The Funded Ratios are presented below.

October 1,	Funded Ratio
2007	109.5%
2008	106.7%
2009	100.3%
2010	99.1%
2011	94.1%
2012	89.4%

The Actuary uses a five-year smoothed market to establish the actuarial value of the assets (used to determine the funded ratio). As of September 30, 2012, and 2011, actual Market Value of the Investments and Cash Equivalents was less than the Actuarial Value of the Assets by approximately $179 thousand and $2.030 million, respectively, as a result of this methodology.

ASSET ALLOCATION

The following table indicates the actual asset allocations as of September 30, 2012 and 2011.

TABLE 5
ASSET ALLOCATIONS AT MARKET

	September 30, 2012		September 30, 2011	
Cash and Cash Equivalents	$ 641,774	5.1%	$ 227,811	2.2%
U.S. government securities	1,033,760	8.2%	982,237	9.4%
U.S. government agency bonds	245,160	1.9%	112,310	1.1%
Mortgage backed securities	503,085	4.0%	700,328	6.7%
Corporate bonds	2,585,576	20.5%	2,035,865	19.4%
Municipal obligations	35,481	.3%	34,534	.3%
Equities	2,443,576	19.5%	4,226,467	40.4%
Exchange traded funds	5,099,760	40.5%	2,137,853	20.5%
	$12,588,172	100.0%	$10,457,405	100.0%

The exchange traded funds (ETFs) listed above are not under the investment management of the ICC Capital Management.

INVESTMENT ACTIVITIES

Investment income is vital to the Plan's current and continued financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. The Investment Policy was updated with an effective date of November 17, 2011.

The Board and its Consultants review portfolio performance quarterly. Performance is evaluated individually by money manager style, collectively by investment type and for the aggregate portfolio. Investment types included domestic and international equities, and fixed income.

The total fund investment performance for the investments under management for the fiscal years ended 2012 and 2011 was approximately 17.18% and (1.40%), respectively. The actuarial return assumption target for the year was 7.5%.

During the year ended September 30, 2012, additional investments at a total cost of $2,447,247 were made in these exchange traded funds. The fair value of these additional investments as of the year ended September 30, 2012, was $2,465,409. The total fair value of the exchange traded funds as pf September 30, 2012, was $5,099,760. The unrealized gain in the total exchange traded funds as of September 30, 2012, was $514,660. The unrealized loss in these exchange traded funds owned as of September 30, 2011, was $268,103.

As of the year ended September 30, 2012, the Plan investments were re-positioned. There were sales of common stocks (under management) that had been executed, but not settled as of year end. Additionally, there were purchases of exchange traded funds (not under management) that had been executed but not settled. Additionally, there was a sale of a U.S. Treasury bond, and the purchases of a corporate bond and a government agency bond, which were executed but not yet settled as follows:

Purchases:	
Exchange traded fund - SPDR S&P 500 ETF - not under management of investment company	$2,195,558
Franklin Resources, Inc. corporate bond	145,944
Federal Farm Credit Bank bond	149,943
	$2,491,445
Sales:	
Common stocks - under management	$2,185,863
U. S. Treasury bond	239,400
	$2,425,263

TABLE 6 **INVESTMENT RETURN**

	September 30, 2012 Rate	September 30, 2011 Rate
Equity		
Portfolio Equities	28.81%	(8.35%)
Benchmark objective	30.20%	1.15%
Fixed Income		
Portfolio	5.34%	5.91%
Benchmark objective	5.16%	5.26%
Total Fund		
Portfolio	17.18%	(1.40%)
Benchmark objective	17.35%	3.05%

ECONOMIC FACTORS

One of the primary functions of the pension trust is to manage investments prudently and effectively given various constraints. Events surrounding the slowdown of real estate activity, increased home foreclosures, an overall downturn in the economy has affected and will continue to affect the Retirement Plan. With continued uncertainty in the financial markets, the Plan is likely to experience fluctuations in its portfolio returns in the future.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide residents, taxpayers, plan participants, and other interested parties with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional financial information, please contact the Finance Director, 9293 Harding Avenue, Surfside, Florida 33153

FINANCIAL STATEMENTS

RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA
STATEMENTS OF PLAN NET ASSETS
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS:		
Cash and cash equivalents	$ 641,774	$ 227.811
Receivables -		
Plan members' contributions	24,251	22,732
Beneficiary's estate	-	2,987
Accrued investment income	34,785	43,807
Due from broker for unsettled investment sales	2,425,263	-
Prepaid expenses	9,416	9,166
	2,493,715	78,692
Investments, at fair value		
United States Government Securities	1,033,760	982,237
U.S. Government agency bonds	245,160	112,310
Mortgage backed securities	503,085	700,328
Corporate bonds	2,585,576	2,035,865
Municipal obligations	35,481	34,534
Common stocks	2,443,576	4,226,467
Exchange traded funds (ETFs)/IShares	5,099,760	2,137,853
Total investments	11,946,398	10,229,594
TOTAL ASSETS	15,081,887	10,536,097
LIABILITIES:		
Accounts payable	24,524	22,110
Due to broker for unsettled investment purchases	2,491,445	-
Refunds of contributions payable	9,793	58,326
TOTAL PLAN LIABILITIES	2,525,762	80,436
Prior period adjustment	-	8,320
Net assets held in trust for pension benefits - ending	$12,556,125	$10,463,981

The accompanying notes are an integral part of these financial statements.

RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
ADDITIONS:		
Contributions		
Employer	$ 515,440	$ 625,963
Plan members	321,155	284,950
Buy back of contributions	12,982	-
Total contributions	849,577	910,913
NET INVESTMENT INCOME:		
Net appreciation (depreciation) in fair value of investments	1,672,581	(600,172)
Interest	146,721	169,730
Dividends and other	181,101	162,504
Total investment earnings	2,000,403	(267,938)
Less investment expenses	72,805	70,653
Net investment Income (loss)	1,927,598	(338,591)
Total additions (deductions)	2,777,175	572,322
DEDUCTIONS:		
Benefit payments	550,266	580,747
Refunds of contributions	59,355	106,499
Administrative expenses	75,410	73,016
Total deductions	685,031	760,262
Changes in net assets	2,092,144	(187,940)
Net assets held in trust for		
Pension benefits:		
Beginning of year	10,463,981	10,643,601
Prior Period adjustment (See Note 4)	-	8,320
End of year	$12,556,125	$10,463,981

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND MATTERS

The financial statements of the Retirement Plan for Employees of the Town of Surfside, Florida (the "Town") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

The Retirement Plan was established by a Town Ordinance approved by the Commissioners and effective January 1, 1962. The Plan is subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions, amendments thereto, and all other requirements are established by Town Ordinance. Participants should refer to the Plan document for more complete information.

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. All full-time employees became members of the Plan immediately upon employment. During 2011 the Town passed Ordinance 11-1580, which grants the right to Charter Officers to opt out of the Plan at any time. The administration of the Plan is under the responsibility of a five-member Board of Trustees, which is subject to the ultimate authority of the Town Commission.

Reporting Entity - The financial statements presented are only for the Retirement Plan for Employees of the Town of Surfside, and are not intended to present the financial statements of the Town.

The financial statements for the Retirement Plan for Employees of the Town are included in the Town of Surfside's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2012 and 2011, which are separately issued documents. Anyone wishing further information about the Town is referred to the CAFR for the respective year in which the Retirement Plan has been included. The CAFR for the Town is available at Town Hall located at 9293 Harding Avenue, Surfside, Florida.

Basis of Accounting - The Retirement Plan for Employees of the Town of Surfside's financial statements are prepared on the accrual basis of accounting, reflecting income when earned and contributions for the year (regardless of when received) and expenses and other obligations when incurred (regardless of when paid). Benefit payments and refunds of contributions are recorded as they become due.

The contributions received from the Town of Surfside are actuarially determined in accordance with F.S. 112 (2), and are recognized as revenues when due.

Employee contributions are recognized when due as the payroll deductions are made.

Benefit payments are recognized when due and payable in accordance with the terms of the Plan.

Contribution refunds are recognized when due and payable in accordance with the terms of the Plan and the Town's procedures for terminations.

Method Used to Value Investments - The Retirement Plan investments are reported at fair value, and are managed by a third-party money manager. The Retirement Plan's Custodian and the individual money manager price each instrument using closing prices from the national securities exchange markets on the last business day of the Retirement Plan's year. Investments that do not have an established market are reported at estimated fair value.

NET ASSETS - Net Assets of the Retirement Plan are the differences between the total plan assets and the total plan liabilities, and are held in trust for pension benefits.

CONTRIBUTIONS - Contributions are received from the Town at actuarially determined rates, and from active plan participants.

The Town has traditionally contributed the annual required contribution (ARC) and, thus, does not have to report, a net pension obligation (NPO).

Average Final Compensation - The average of basic compensation during the highest three years (five years for general employees) of the ten years preceding termination.

INVESTMENT INCOME - Both realized and unrealized gains/losses are recognized under Net Appreciation (Depreciation) in the Fair Value of Investments.

MONTHLY BENEFIT PAYMENTS - The Plan's monthly pension benefit payments are transmitted to each recipient prior to the last business day of the month for the following month.

CONTRIBUTION REFUNDS - The defined benefit Plan is contributory and employee contributions are one-hundred percent refundable with interest at the rate of four percent per annum to terminated non-vested participants as well as vested former participants who elect to forfeit all rights to any benefits of the Retirement Plan.

ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from management's estimates.

DATE OF MANAGEMENT'S REVIEW - Subsequent events have been evaluated through January 29, 2013, which is the date the financial statements were available to be issued.

NOTE 2 - DESCRIPTION OF THE PLAN

The Plan is a single employer defined benefit pension plan for all eligible employees of the Town who customarily work more than thirty-two hours per week.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews each local government's actuarial report prior to its use for funding purposes.

Characteristics of Participants included in the Actuarial Valuation Reports
The Actuarial Report as of October 1, indicated the Retirement Plan's membership consisted of:

	2012	2011
Retirees and beneficiaries currently receiving benefits	32	34
Terminated employees entitled to benefits but not yet receiving them	8	6
Active Plan Participants		
Vested	33	30
Partially vested	12	14
Non-vested	34	34
	79	78

Contributions - Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. Employees were required to contribute either 5% of their covered compensation or after October 1, 1979, members had the irrevocable option to increase their contributions to 7% of covered compensation to receive increased benefits. Effective July 1, 1996, each member had the irrevocable option to increase his (her) contribution rate from 5% to 7% or 8% of covered compensation.

Effective January 31, 2003, employee contributions were reduced to 6% for employees previously contributing 7% or 8%. Employees previously contributing 5% were given the one-time option to increase contributions to 6%. The Police Officers' contribution rate was increased to 8% effective October 1, 2005, with increased benefit multipliers.

Cost of Living Adjustment - Beginning January 1, 2004, and each January 1 thereafter a 1.5% automatic annual cost of living benefit increase is provided for all current and future retirees, disableds, beneficiaries and vested terminated members who had been receiving benefits for at least one year.

Service Retirement Benefits - Members who are sworn Police Officers may retire at the age of 52 with 20 years of creditable service or at age 62 with 5 years of creditable service, or upon completion of 25 years of creditable service. General employees may retire at the age of 62 with 15 years of creditable service, or at the age of 65 and the completion of ten years of creditable service.

Annual retirement benefits are as follows for General Employers and Police Officers:

For service rendered prior to October 1, 1979, 1-2/3% of the average final covered compensation for each year of service multiplied by the number of years of creditable service rendered prior to October 1, 1979.

The benefit accrual for members who contributed 5% of covered compensation from October 1, 1979 to June 30, 1996, is 1-2/3% of average final compensation for each year of service multiplied by the number of years of creditable service rendered from September 30, 1979.

The benefit accrual for members who contributed 7% of covered compensation from October 1, 1979 to June 30, 1996, is 2% of the average final compensation for each year of service multiplied by the number of years of creditable service rendered after September 30, 1979.

Members who contributed 5%, 7%, or 8% of covered compensation from July 1, 1996 to January 31, 2003, are entitled to a benefit accruals of 1-2/3%, 2.0%, or 2.5%, respectively, of the average final compensation for each year of service multiplied by the number of years of creditable service rendered after July 1, 1996.

For General Employees who contributed 5% or 6% of covered compensation from February 1, 2003, the benefit accruals are 2% and 2.5%, respectively, of the average final compensation for each year of service rendered after that date multiplied by the number of years of creditable service. Police Officers who contributed 5% and 6% from February 1, 2003 to September 30, 2005, respectively, 2% and 2.5% of the average final compensation for each year of service multiplied by the number of years of creditable service rendered during that period.

The maximum benefit allowable for general employee members is sixty percent of the average final compensation.

POLICE OFFICERS - The following Retirement Plan provisions are only for certified law enforcement members of the Plan:

Contributions - Effective October 1, 2005 to September 30, 2006, Police Officers contributed eight percent (8%) of earnable compensation to the Plan and receive a benefit accrual of 3.0%.

The Retirement Plan multiplier for creditable service rendered on or after October 1, 2006, is 3.5% of the monthly average final compensation multiplied by the number of years of creditable service on or after September 30, 2006.

At a multiplier of 3-1/2%, the maximum total annuity payable to a Police Officer is ninety percent of average final compensation.

The Town maintains a five-year Deferred Retirement Option (DROP) Program for Police Officers and dispatchers only. The eligibility requirement is attainment of normal retirement date. The maximum period of participation in the DROP is five years. A Police Officer's account shall be credited with interest based upon the actual Fund investment return. No payments may be made from the DROP until the employee actually separates from service with the Town. Subsequent to year end, a Police Officer made the option to participate in the DROP.

Vested Benefits - The Plan has a ten year graded vesting schedule for all general employees whereby a member is fifty percent vested after five years of creditable service. Such vesting increases by ten percent each year thereafter until one-hundred percent vesting is attained at ten years of creditable service. Effective October 1, 2007, in accordance with Ordinance Number 08-1492, Police Officers are one-hundred vested after five years of creditable service.

If separated from service after the member is fully vested, such vested member shall be entitled to a service retirement annuity commencing at age 65 for General Employees or the date that the would have been the Normal Retirement date had the member continued in employment as a Police Officer. Such members shall not have applied for or received a refund of their contributions to the Plan.

Employee Contributions - The Town Commission passed an Ordinance amending the tax treatment of the employee contributions effective January 1, 2009. As of that date the employee contributions were changed from post-tax to pre-tax contributions as permitted by Section 414(h) of the Internal Revenue Code.

Early Retirement - Members are eligible for early retirement at the earlier of age 55 with 15 years of creditable service, or 20 years of creditable service regardless of age. The benefit is the same as the normal retirement benefit using the average final compensation and creditable service as of the early retirement date, but payable at the normal retirement date assuming continued employment.

Termination of Employment - If a member terminates employment prior to attaining vested rights, the member receives a refund of his(her) accumulated contributions plus interest of 4% per annum on such contributions made on or after January 1, 1979.

DISABILITY BENEFITS:

Service Connected - Any member who becomes totally disabled as a direct result of performance of service to the Town shall receive 75% of monthly compensation in effect on the date of the disability. If such service connected disability was not a direct result of physical injury, the amount of the benefit is 45% of the rate of monthly compensation in effect on the date of the disability. For General Employees the benefit is reduced by any monthly disability benefits to which the employee is entitled to from Workers' Compensation and the Federal Social Security System to the extent permitted by law.

Non-Service Connected - In order for a member to be eligible for a non-service disability benefit at least two of the following must certify in writing that the member is wholly prevented from engaging in any occupation for wages or profits, and that he is likely to remain so disabled continuously and permanently: 1) A duly licensed physician selected by and paid for by the Board; 2) A duly licensed physician selected by and paid for by the member; 3) A duly licensed physician mutually agreeable to by these physicians and paid by the Board.

Pension Board Approval - Disability retirement from the Plan is subject to approval by the Pension Board. The Pension board has the right to require physical exams certifying the disability prior to the commencement of the disability benefits and after disability benefits commence for continuance of disability.

Termination - Upon termination of the Plan for any reason, the Pension Trust Fund shall be apportioned and distributed to participants in accordance with the provisions of the Plan. Those provisions include giving a priority right to Pensioners to receive the present value of their pensions. The active members are entitled to receive a pro rata share of the remainder.

Death Benefits - If death occurs prior to the Normal Retirement Date, the Accumulated Employee Contributions plus interest are refunded to the member's beneficiary or estate. If a member dies after reaching the Normal Retirement Date but before the member has retired, survivor benefits will be paid as though the member had retired immediately before death. Upon reaching Normal Retirement Date the member may select which type of survivor benefits would be payable in the event the death occurs before actually retiring.

Related Parties - There are no investments in, loans to, or leases with parties related to the Retirement Plan.

Plan Expenses - In accordance with the provisions of the Plan, investment and administrative expenses of the Plan may be paid either by the Town or the Plan. The established policy is that the Retirement Plan pays all of the investment and administration expenses of the Plan as well as the Actuarial fees for the Annual Actuarial Valuation. It has been the Town's policy to pay the fees for any additional actuarial services provided.

Funding Policy - Contributions of funds are received from the Town at actuarially determined rates in accordance with F.S. Chapter 112 (2) the State of Florida.

Active members contribute a percentage of pensionable pay at rates of 5% or 6% for general employees, and 8% for Police Officers.

The Town has traditionally contributed the annual required contribution (ARC) and, thus, has never had or needed to report, a net pension obligation (NPO).

Three-year Trend Information for the Retirement Plan is presented below:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	556,068	100%	(219,989)
9/30/2011	628,266	100%	(217,686)
9/30/2012	523,734	98%	(207,392)

Funded Status and Funding Progress

The schedule of funding progress presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits. See page 23.

FUNDED STATUS AND FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
10/01/2012*	$12,768,477	$14,165,870	$1,397,393	90.1%	$4,359,957	32.1%
10/01-2012**	$12,768,477	$14,287,456	$1,518,979	89.4%	$4,359,957	34.8%

*** Prior to Plan Amendment and update in actuarial assumptions**

****After Plan Amendment and update in actuarial assumptions**

This schedule is derived from the Actuarial Report dated October 1, 2012. The actuarial methods and assumptions for the Retirement Plan are presented on page 17.

Actuarial assumptions include a five-year smoothed market asset valuation method, which was adopted in the October 1, 2004, Actuarial Valuation. The actuarial investment rate of return assumption is 7.5%.

The Schedule of Funding Progress immediately following the Notes to the Basic Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to actuarial to the accrued liability.

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

Actuarial Valuation:	
Frequency	Annual
Actuarial valuation date	October 1, 2011
Contribution rates:	
Employer	12.7%
Plan members	6.9%
Annual Pension Cost	$551,895
Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset Valuation Method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increase*	3.0% - 13.5%
Cost of living adjustments	1.5%
* Includes inflation at	4.0%

Actuarial Valuation - Actuarial valuations are prepared as of October 1. To facilitate budgetary planning needs employer contribution requirements are provided for the fiscal year that commences following that fiscal year end. For example, the Actuarial Valuation Report dated October 1, 2010, included the required Town contribution of $515,440 for the year ended September 30, 2012.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation is located in the Actuarial Section.

NOTE 3 - INVESTMENTS

The investment activity of the Plan is directed by an investment advisory firm. All investments made or held by the Fund shall be limited to the following:

1. Time or savings accounts of a national bank, a state bank or a savings and loan institution insured by the Savings Association Insurance Fund, which is administered by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount, and the cash instruments have a quality rating of at least Standard & Poor's A1 or Moody's P1.

2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.

3. Bonds issued by the State of Israel. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state, organized territory of the United States, or District of Columbia provided the corporation is listed on the recognized national stock exchanges or on the National Market System of the NASDAQ stock market.

4. Equity investments (common stock, convertible bonds and preferred stocks) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ and ETF exchange traded funds. Commingled equity, bond or money market funds whose investments are restricted to securities meeting the criteria of this section.

As of September 30, 2012 and 2011, the investment in equities totaled 51.6% and 52.2%, respectively, of the total investments excluding the ETF funds, which are not under management. The cost and fair value of net assets held in trust for Plan benefits at September 30, follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents:				
AIM STIC Prime Portfolio	$ 641,774	$ 641,774	$ 227,811	$ 227,811
Investments:				
U.S. Government Securities	995,833	1,033,760	889,204	982,237
Government Agency bonds	244,922	245,160	139,005	112,310
Mortgage backed Securities	471,905	503,085	635,055	700,328
Corporate bonds	2,452,961	2,585,576	1,926,071	2,035,865
Municipal bonds	30,000	35,481	30,000	34,534
Common stocks	2,452,961	2,443,576	5,157,706	4,226,467
ETFs/IShares	5,145,184	5,099,760	2,698,305	2,137,853
	11,793,766	11,946,398	11,475,346	10,229,594
	$12,435,540	$12,588,172	$11,703,157	$10,457,405

As of September 30, 2012, the Plan had the following investment types:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasuries	$1,273,160	11.25
Government Agency Bonds	95,217	2.32
Mortgage backed securities	503,085	22.54
Corporate bonds	2,439,632	6.37
Build America bonds (Municipal obligations)	35,481	11.67
Total fair value	$4,346,575	
Portfolio weighted average maturity		6.35

Interest Rate Risk. In accordance with its investment policy, the Plan manages its exposure to declines in the fair market value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

Credit risk. State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Town's policy to limit its investments in this investment type to the top two ratings issued by NRSROs. As of September 30, 2012, the Plan's investments in the U.S. Treasury Portfolio were rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the top three rating classifications by at least two major rating services (Standards & Poor, Moody's or Fitch). The corporate bonds held by the Plan were in the top three rating classifications. The mortgage backed securities were ranked AAA and Aaa by Standard & Poor's, and Moody's respectively.

Concentration of credit risk. The Town's investment policy does not allow for an investment in any one issuer, other that U.S. Government securities, that is in excess of five percent of the government's total investments. No investment in any one organization represents five percent or more of the total investments.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the securities, whether fixed or equities are held in the name of the Plan.

The rate of interest earned fluctuates during the year based on market conditions. Also, there is no stated maturity date for these types of investments. Funds may be invested, withdrawn, or reinvested at the discretion of the Plan.

U.S. Government Securities include $239,400 in sales in the Retirement Fund that had been executed but not settled as of September 30, 2012. The corporate bonds and U.S. Government Agency and bonds balances include $145,944 and $149,943, respectively, in purchases that had been executed but not settled as of September 30, 2012. The common stocks balance includes $2,185,863 in sales that have been executed but not settled as of September 30, 2012. Summary of the investments in Transit are as follows:

Purchases:	
Corporate bonds	$ 145,944
U.S. Government Agency bonds	149,943
Exchange traded funds	2,195,558
	$2,491,445
Sales:	
U.S. Government Securities	$ 239,400
Common stocks	2,185,863
	$2,425,263

Net appreciation (depreciation) in fair value of the investments - include the current year realized gains and losses, which are calculated independently of the calculation of the appreciation (depreciation) in net assets. The unrealized gains (losses) included in the net appreciation (depreciation) in fair value of the investments as of September 30 is as follows:

	2012	2011
Investments:		
U.S. Government Securities	$ (58,137)	$ 71,325
Government agency bonds	(3,234)	(8,498)
Mortgage backed securities	(4,214)	3,274
Corporate bonds	22,902	(30,356)
Municipal obligations	947	(3,494)
Common stocks	804,251	(910,954)
Exchange traded funds - I Shares	514,660	(268,103)
	$ 1,277,175	$(1,146,806)

Net appreciation (depreciation) in fair value of the investments (continued)

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Unrealized gains and losses on investments sold in the current year that have been held for more than one year were included in the net appreciation (depreciation) reported in the prior year and the current year.

The realized gains (losses) included in the net appreciation (depreciation) of the fair value of the investments as of September 30 are as follows:

	2012	2011
Investments:		
U.S. Government Securities	$ 59,316	$ 3,113
Government agency bonds	1,782	1,744
Mortgage backed securities	(8,796)	(6,482)
Corporate bonds	73,002	29,043
Municipal obligations	888	(2,780)
Common stocks	269,214	521,996
	$ 395,406	$ 546,643

NOTE 4 - FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The methods used to measure fair value may produce an amount that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Plan believes the valuation methods are appropriate an consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, the Plan's investment assets at fair value as of September 30, 2012 and 2011.

		Fair Value Measurements as of 9/30/2012 using		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs (Level 3)
Common stocks:				
Large cap growth	$ 75,808	$ 75,808	-	-
Large cap value	1,672,658	1,672,658	-	-
Large cap value/growth	541,756	541,756	-	-
Mid cap value	96,118	96,118	-	-
Mid cap growth	19,525	19,525	-	-
Mid cap value/growth	37,711	37,711	-	-
Exchange traded funds - IShares:				
Real Estate-largest REITS	991,809	991,809	-	-
Russell 2000 Index	952,217	952,217	-	-
EAFE Index-Europe & Asia	690,325	690,325	-	-
SPDR Barclays Capital Convertible Securities	261,228	261,228	-	-
SPDR S&P 500 top U.S. stocks	2,204,181	2,204,181		
Money Market Fund				
Short term investment fund	641,774	641,774	-	-
Bonds and notes:				
U.S. Government Securities	1,033,760	1,033,760	-	-
U.S. Government Agency Bonds	245,160	245,160	-	-
Mortgage Backed Securities	503,085	-	503,085	-
Corporate Bonds	2,585,576	-	2,585,576	-
Municipal Obligations	35,481	-	35,481	-
	$12,588,172	$ 9,464,030	$ 3,124,142	$ -

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

		Fair Value Measurements as of 9/30/2011 using		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs (Level 3)
Common stocks:				
Large cap growth	$ 108,083	$ 108,083	-	-
Large cap value	3,238,176	3,238,176	-	-
Large cap value/growth	768,264	768,264	-	-
Mid cap value	34,760	34,760		
Mid cap value/growth	77,184	77,184	-	-
Exchange traded funds - IShares:				
Real Estate - largest REITS	781,726	781,726	-	-
Russell 2000 Index	733,792	733,792	-	-
EAFE Index-Europe & Asia	622,335	622,335	-	-
Money Market Fund				
Short term investment fund	227,811	227,811	-	-
Bonds and notes:				
U.S. Government Securities	982,237	982,237	-	-
U.S. Government Agency Bonds	112,310	112,310	-	-
Mortgage Backed Securities	700,328	-	700,328	-
Corporate Bonds	2,035,865	-	2,035,865	-
Municipal Obligations	34,534	-	34,534	-
	$10,457,405	$ 7,686,678	$ 2,770,727	$ -

NOTE 4 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment recorded as of October 1, 2011, is the result of a payment to a vendor, which was included in the accounts payable; however, the statement was for a period in a subsequent year. The effect of the adjustment is an increase of $8,320 in the net assets available for plan benefits as of October 1, 2011.

NOTE 5 - SUBSEQUENT EVENTS

Subsequent to year end, the Town of Surfside entered into a Settlement Agreement with a Police Officer who had previously separated from service. The terms of the agreement include the reinstatement of the Police Officer without of a break in service. Additionally, as a part of this settlement, the Police Officer will buy back creditable years of service from the date of his separation from service. The refunds of contributions included for this Police Officer for the fiscal year ended September 30, 2011, have been reclassified to employee contributions.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll 'c	UAAL as % Covered Payroll (b-a)/c
10/01/2007	11,201,453	10,225,271	(976,182)	109.5%	3,978,291	(24.5%)
10/01/2008	11,701,487	10,971,286	(730,201)	106.7%	4,568,544	(16.0%)
10/01/2009	11,697,998	11,662,297	(35,701)	100.3%	4,059,522	(0.9%)
10/01/2010	12,304,770	12,414,859	110,089	99.1%	4,016,852	2.7%
10/01/2011	12,487,404	13,272,023	784,619	94.1%	4,053,208	19.4%
10/01/2012*	12,768,477	14,165,870	1,397,393	90.1%	4,359,957	32.1%
10/01/2012**	12,768,477	14,287,456	1,518,979	89.4%	4,359,957	34.8%

* Prior to Plan Amendment and update in actuarial assumptions

** After Plan Amendment and update to actuarial assumptions

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2012

Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed	Actual Employer Contributions Made
2007	264,370	100.00%	$264,370
2008	384,905	100.00%	384,905
2009	423,747	100.00%	423,747
2010	553,919	100.00%	553,919
2011	625,963	100.00%	625,963
2012	523,245	98.50%	515,440

SUPPORTING SCHEDULES

RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Professional Services:	2012	2011
Actuarial	$ 23,330	$ 23,078
Attorney	12,743	11,514
Auditing services	23,500	23,500
Secretarial and other	2,518	2,779
Plan Administrator	8,100	7,037
Total Professional Services	70,191	67,908
Insurance expense:		
Fiduciary liability insurance	4,756	4,670
Other administrative expenses:		
Convention and seminars	43	62
Office supplies	420	376
Total other administrative	463	438
TOTAL ADMINISTRATIVE EXPENSES	$ 75,410	$ 73,016

SCHEDULE OF INVESTMENT MANAGER, CONSULTANT, AND CUSTODIAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Investment Manager		
ICC Capital Management	$ 36,244	$ 38,361
Investment Consultant Fees		
Burgess Chambers	22,000	18.250
Custodian fees		
SunTrust Bank	14,561	14,042
	$ 72,805	$ 70,653

INVESTMENT SECTION

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES
OF THE TOWN OF SURFSIDE, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2012

INVESTMENT POLICY – BACKGROUND

The administration and responsibility functions of the Plan are vested with the Pension Board of Trustees. It is the responsibility of the Board to manage a defined benefit retirement program that remains actuarially sound. The Board delegates certain responsibilities to qualified professionals who include: the investment manager, performance monitor, actuary, attorney and administrator. The Investment Policy of the Plan is designed principally to provide for:

Investment Return Goals and Objectives – designed to achieve the actuarial interest rate assumption within a prudent level of risk.

Diversification – investment portfolio designed to spread the risk and limit exposure to any particular type of asset class or security.

Performance Measurement Standards and Accountability – requires the Board to act (as a fiduciary) whenever an investment program is not achieving stated goals and objectives.

The Town's investment approach is conservative and is limited to liquid securities. The bond portion must meet high quality standards. Both the domestic and international equities emphasize large capitalization companies that are priced daily. Both active and passive equity strategies are incorporated into the program.

The Board meets quarterly with its investment manager, performance measurement consultant, and other consultants. The performance of the investment manager(s) is evaluated on a quarterly basis.

The investment activity of the Plan is contained in the SunTrust Custodian bank statements.

INVESTMENT GOALS AND OBJECTIVES

During the Fiscal Year, the total Plan earned 18.7%, net of management fees and trading costs. The best performing asset categories were: small-cap stocks (+32.2%), REIT (+31.2%), and large-cap stocks (+29.2%). The total Plan performance trailed the Hybrid Benchmark (+19.1%), and outperformed the Actuarial Assumption (+7.5%).

ASSET ALLOCATION STRATEGY

The asset allocation determines the expected investment return and associated volatility risk. It is mean variance based and assumes that the long-term average (or mean) returns of asset classes is a predictor of future returns. Asset classes have varying correlations to each other. By blending asset classes with different correlations, volatility risk is reduced. The investment monitor prepares asset allocation studies for the Board to better understand the means necessary to achieve an expected return. The result is a target allocation which identifies the recommended weightings of asset classes. The target allocation considers value and growth styles, capitalization, domestic equity, international equity, equity real estate, and fixed-income. Several key restrictions to the asset allocation strategy places a limitation on equities to 70% (at market), no more than 5% of the equities may be invested in a single company (at cost).

The performance of each asset class was compared to a corresponding index. The active equity and fixed-income portions were also compared to their respective peer groups.

TARGET ALLOCATION

	Target	Mkt. Range
Domestic Large Cap Equity	32%	25-40%
Convertibles	5%	3-8%
Domestic Mid Cap Equity	5%	3-8%
Domestic Small Cap Equity	5%	3-8%
International Equity	10%	5-15%
Real Estate	5%	3-8%
Fixed Income	35%	N/A
Cash	3%	0-5%
Total	100%	

The Hybrid Benchmark objective is as follows:

S&P500	32%
ML Convertible	5%
Russell Mid Cap	5%
Russell 2000 Value	5%
MSCI EAFE*	10%
Wilshire Real Estate Sec. Index	5%
Barclays Intermediate Aggregate	35%
90-day Treasury	3%
Total	100%

*Morgan Stanley Capital International Europe Australia Far East

Since market conditions will favor one approach over another, during 12 to 36 month time periods, the asset allocation will require periodic rebalancing. Because the long-term approach of the fund is to achieve blended returns of five separate investment approaches, it is essential that weightings remain within the above ranges. Accordingly, at least once a year the asset allocation shall be reviewed and any necessary action will be recommended.

PERFORMANCE MEASUREMENT AND INDEX COMPARISONS

The following performance measures are used as objective criteria for evaluating the effectiveness of the Investment Manager:

1. Total Fund Performance – the goal is to achieve an average annual rate of return over all three-year periods that meets or exceeds the actuarial assumed rate of return of 7.5%.

2. Core Large-Cap Value Performance – this section in the portfolio is expected to perform at a rate of that achieved by the S&P500 Stock Index, and is in the top 40% of a nationally recognized large-cap core equity manager universe.

3. Mid-Cap Core Index Performance- This portion of the portfolio is expected to perform at a rate that achieves the Russell Mid-Cap Index.

4. Convertibles Index- This portion of the portfolio is expected to perform at a rate that achieves the Merrill Lynch Convertible Index

5. Small-Cap Value Index Performance - This portion of the portfolio is expected to perform at a rate that achieves the Russell 2000 Value Index.

6. International Equity Index Performance - This portion of the portfolio is expected to perform at a rate that achieves the MSCI EAFE Index.

7. Real Estate Investment Trust (REIT) Index Performance - This portion of the portfolio is expected to perform at a rate that achieves the Dow Jones Wilshire REIT Index.

8. Fixed Income Performance - The bond portion of the portfolio, defined as fixed income and preferred stocks, is expected to perform at a rate that exceeds the Barclays Capital Aggregate Bond Index and is in the top 40% of a nationally recognized broad market fixed income manager universe.

The investment monitor prepares the investment returns and takes into account cash flows and the date of occurrence. The returns are linked monthly to measure the time-weighted total return.

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES
OF THE TOWN OF SURFSIDE, FLORIDA

INVESTMENT RESULTS (%)
FISCAL YEAR ENDED SEPTEMBER 30, 2012

TOTAL FUND PERFORMANCE Composite	2012	Avg 3 years	Avg 5 years
Universe Ranking	21st	78th	78th
Total Fund (gross)	19.1	8.0	1.5
Hybrid Benchmark	19.1	10.3	2.6
Actuarial Assumption	7.5	7.5	7.5
EQUITY PERFORMANCES			
ICC Capital Equity*	29.2	8.8	-0.6
I-Share Russell 2000	32.2	12.8	2.2
I-Share MSCI EAFE	15.2	2.3	-5.1
Cohen & Steers REIT	31.2	22.3	1.4
FIXED INCOME PERFORMANCE			
ICC Capital Fixed Income	6.5	6.6	6.4

*Half of ICC Equity was replaced by SPDR S&P500 ETF during the 3Q2012.
Note: The basis for the calculation is a time-weighted rate of return based on the market value of return.

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES
OF THE TOWN OF SURFSIDE, FLORIDA

SCHEDULE OF FEES FISCAL YEAR
ENDED SEPTEMBER 30, 2012

Investment Services	Total Assets	Fees & Expense Ratios
ICC Capital Management	$7,456,176	$36,244 (0.29%)
Other Investment Service Fees		
Custodian – SunTrust Bank		$13,941 (0.11%)
Investment Performance Measurement Consultant		
Burgess Chambers & Associates (BCA)		$22,000 (0.18%)
Total	**$12,555,936**	**$72,185 (0.57%)**

Please note: The Retirement Plan for Employees of the Town of Surfside has one active Investment Manager, ICC Capital Management, which manages the portfolio. For the fiscal year ending September 30, 2012, ICC traded through Cantor Fitzgerald, Cuttone & Co., Griswold Company, FBN Securities, Ivy Securities, Capis, Jones Trading and Edgetrade 2, which generated a total commission of $4,515.19

During the fiscal year ended September 30, 2012, the Plan invested in iShares and SPDR Index Funds, which are not included in the portfolio managed by ICC Capital Management.

Burgess Chambers & Associates is the Investment Performance Measurement Consultant.

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES OF
THE TOWN OF SURFSIDE, FLORIDA

ICC PORTFOLIO SUMMARY
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Security Type	Market Value	Pct. Assets	Cur. Yield	Est.Annual Income
CASH AND EQUIVALENTS	582,194	7.8	0.1	322
COMMON STOCK				
MATERIALS	91,485	1.2	3.2	2,968
INDUSTRIALS	275,383	3.7	2	5,548
TELECOMMUNICATIONS	35,550	0.5	6.4	2,280
CONSUMER DISCRETIONARY	275,863	3.7	2.6	4,919
CONSUMER STAPLES	143,615	1.9	2.8	4,060
ENERGY	436,472	5.9	1.8	8,031
FINANCIALS	518,593	7	2.1	10,777
HEALTH CARE	361,309	4.8	2.7	9,792
INFORMATION TECHNOLOGY	173,404	2.3	1.8	3,204
UTILITIES	131,904	1.8	3.2	4,156
COMMON STOCK	**2,443,576**	**32.8**	**2.3**	**55,743**
FIXED INCOME				
CORPORATE BONDS	2,585,416	34.7	3.2	83,393
MUNICIPAL BONDS	35,941	0.5	4.7	1,696
GOVERNMENT BONDS	1,033,633	13.9	1.3	13,761
MORTGAGE POOLS	503,086	6.7	5.2	26,313
GOVERNMENT SPONSORED BOND	245,127	3.3	0.4	883
ACCRUED INTEREST	27,448	0.4		
FIXED INCOME	4,430,651	59.4	2.9	126,044
ICC TOTAL PORTFOLIO	**7,456,421**	**100**	**2.5**	**182,110**

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA

COMMON STOCK TOP 20 HOLDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Quantity	Security	Market Value ($)	Pct. Assets	Cur. Yield
COMMON STOCK				
1,000	EXXON MOBIL CORP.	91,450	1.2	2.5
3,500	GENERAL ELECTRIC CO.	79,485	1.1	3.0
1,000	ABBOTT LAB COM	68,560	0.9	3.0
2,700	PFIZER INC	67,095	0.9	3.5
1,600	JP MORGAN CHASE & CO	64,768	0.9	3.0
700	APACHE CORP.	60,529	0.8	0.8
1,000	BAXTER INTERNATIONAL INC.	60,270	0.8	3.0
1,700	US BANCORP	58,310	0.8	2.3
498	CHEVRON CORP	58,046	0.8	3.1
1,000	NEWMONT MINING CORP	56,015	0.8	2.5
2,000	CONAGRA INC	55,180	0.7	3.6
1,300	KRAFT FOODS INC A	53,755	0.7	1.7
1,000	HESS CORP	53,720	0.7	0.7
1,800	USX MARATHON GROUP	53,226	0.7	2.0
6,017	BANK OF AMERICA CP NEW	53,130	0.7	0.5
1,200	AMERICAN ELEC POWER INC	52,728	0.7	4.3
1,500	WELLS FARGO	51,795	0.7	2.5
2,283	BANK OF NEW YORK MELLON	51,641	0.7	2.3
1,300	ALLSTATE CORP	51,493	0.7	2.2
1,300	AMERISOURCE BERGEN CORP	50,323	0.7	2.2

The Average Market Cap of ICC Large Cap portfolio is **$74.8 Billion.**

The Turnover Ratio of ICC Large Cap portfolio is **39%.**

Note: For a complete list of holdings, please contact the plan Consultant, Burgess Chambers & Associates (BCA).

TOWN OF SURFSIDE
RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE, FLORIDA

FIXED INCOME TOP 20 HOLDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Quantity	Security	Market Value ($)	Pct. Assets	Cur. Yield
FIXED INCOME				
240,000	US TREASURY N/B .250%	240,047	3.2	0.2
195,000	US TREASURY N/B .625%	195,122	2.6	0.6
113,613	US TREASURY INF IX N/B 2.375%	156,821	2.1	1.7
145,000	US TREASURY N/B 3.125%	154,470	2.1	2.9
150,000	FEDERAL FARM CR BANK .280%	149,909	2.0	0.3
145,000	FRANKLIN RESOURCES INC 1.375%	145,784	2.0	1.4
116,287	GN POOL #782119 6%	124,518	1.8	5.3
115,000	JP MORGAN CHASE 4.5%	122,418	1.7	4.1
100,000	BAXTER INTNL INC 2.4%	100,727	1.4	2.4
100,000	PEPSICO INC 4.65%	100,844	1.4	4.6
80,000	JP MORGAN 5.7%	87,607	1.2	5.2
85,000	GENERAL ELEC CAP CORP 2.3%	87,375	1.2	2.2
85,000	SIMON PROPERTY GROUP LP 3.375%	89,244	1.2	3.2
85,000	US TREASURY N/B 3%	88,134	1.2	2.9
80,000	WELLS FARGO & COMPANY 3.5%	85,317	1.1	3.3
80,000	NORTHERN TRUST CORP 2.375%	79,915	1.1	2.4
72,860	FGLMC #G02268 6.5%	83,020	1.1	5.7
73,963	FG POOL #G05900	81,308	1.1	5.5
70,000	JP MORGAN CHASE & CO 1.875%	71,418	1.0	1.8
70,000	AFLAC INC 2.65	73,444	1.0	2.5

The average Effective Duration of the ICC Fixed Income portfolio is **5.2** years.

The average Effective Maturity of the ICC Fixed Income portfolio is **8.8** years.

The average Credit Quality of the ICC Fixed Income portfolio is **AA.**

Note: For a complete list of holdings, please contact the plan Consultant, Burgess Chambers & Associates (BCA).

Retirement Plan for Employees of the Town of Surfside
Total Fund
September 30, 2012
Gross of Fees

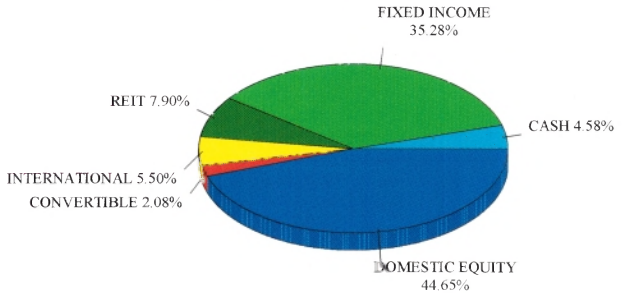
Name	Market Values	QTR ROR	1 Year ROR	2 Year ROR	3 Year ROR	5 Year ROR
TOTAL FUND						
Domestic Equity						
ICC Large Cap Core	2,450,402	6.7%	29.2%	9.0%	8.8%	-0.6%
SPDR S&P 500 ETF	2,204,181	N/A	N/A	N/A	N/A	N/A
i-Shares Russell 2000 (Sm Cap)	952,217	5.3%	32.2%	12.4%	12.8%	2.2%
Total Domestic Equity	**5,606,800**	**6.4%**	**29.5%**	**9.3%**	**9.1%**	**-0.4%**
Convertible						
BC SPDR Convertible	261,228	6.4%	N/A	N/A	N/A	N/A
International						
i-Shares MSCI EAFE (Int'l)	690,325	6.2%	15.2%	1.7%	2.3%	-5.1%
Total Equity	**6,558,353**	**6.3%**	**27.8%**	**8.4%**	**8.3%**	**-0.9%**
Real Estate						
Cohen & Steers REIT	991,809	-0.2%	31.2%	17.6%	22.3%	1.4%
Fixed Income						
ICC Bonds	4,272,568	2.3%	6.4%	6.2%	6.8%	6.6%
ICC TIPS	157,525	3.1%	9.4%	7.4%	6.6%	N/A
Total Fixed Income	**4,430,094**	**2.4%**	**6.5%**	**6.2%**	**6.6%**	**6.4%**
ICC Cash	575,681	0.0%	0.1%	0.1%	0.1%	0.9%
TOTAL: (1, 2)	**12,555,936**	**3.8%**	**19.1%**	**7.8%**	**8.0%**	**1.5%**
Strategic Model		4.0%	19.1%	9.7%	10.3%	2.6%
S&P 500 Index		6.4%	30.2%	14.8%	13.2%	1.1%
Russell 2000		5.3%	31.9%	12.8%	13.0%	2.2%
ML Cnv x144A AllQual		5.1%	16.6%	6.5%	9.1%	2.4%
MSCI Gross EAFE		7.0%	14.3%	2.0%	2.6%	-4.8%
Wilshire REIT		-0.1%	32.4%	16.3%	20.7%	1.7%
Fixed Income Bnch		1.6%	5.2%	5.2%	6.3%	6.5%
BC 1-10 Yr TIPS		1.7%	6.3%	6.7%	7.0%	6.5%
ML 3M TBill		0.0%	0.1%	0.1%	0.1%	0.7%

1 Strategic Model as of 12/2011: 32% S&P 500, 5% ML Conv exc 144A, 5% Russell Mid Cap, 5% R2000, 10% MSCI EAFE, 5% Wilshire REIT, 35% BC Agg, 3% 90-day Treasury; as of 1/2010: 40% S&P 500, 10% R 2000 Value, 10% MSCI EAFE, 10% Wilshire REIT, 30% BC Agg;as of 1/2006: 40% S&P 500, 10% R2000 Val, 10% EAFE, 10% Wilshire REIT, 30% BC Int Agg Bd; From 1/2002: 50% S&P500, 50% BCAgg Bd; as of 12/97 45% S&P500, 55% BCGov/Credit.

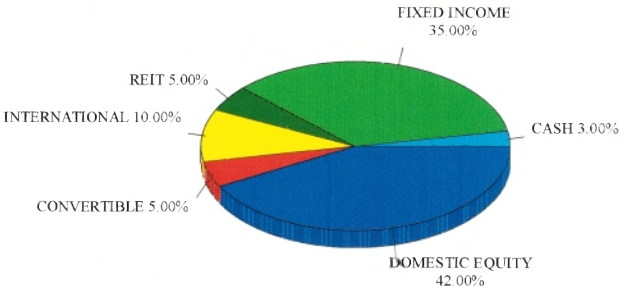
2 Fixed Income Benchmark: as of 1/2010 100% BC Aggregate Bond; as of 1/2006 100% BC Intermediate Bond; as of 1/2000 100% BC Aggregate.

Retirement Plan for Employees of the Town of Surfside
Total Fund
Actual vs Target Asset Allocation
September 30, 2012

ACTUAL ASSET ALLOCATION

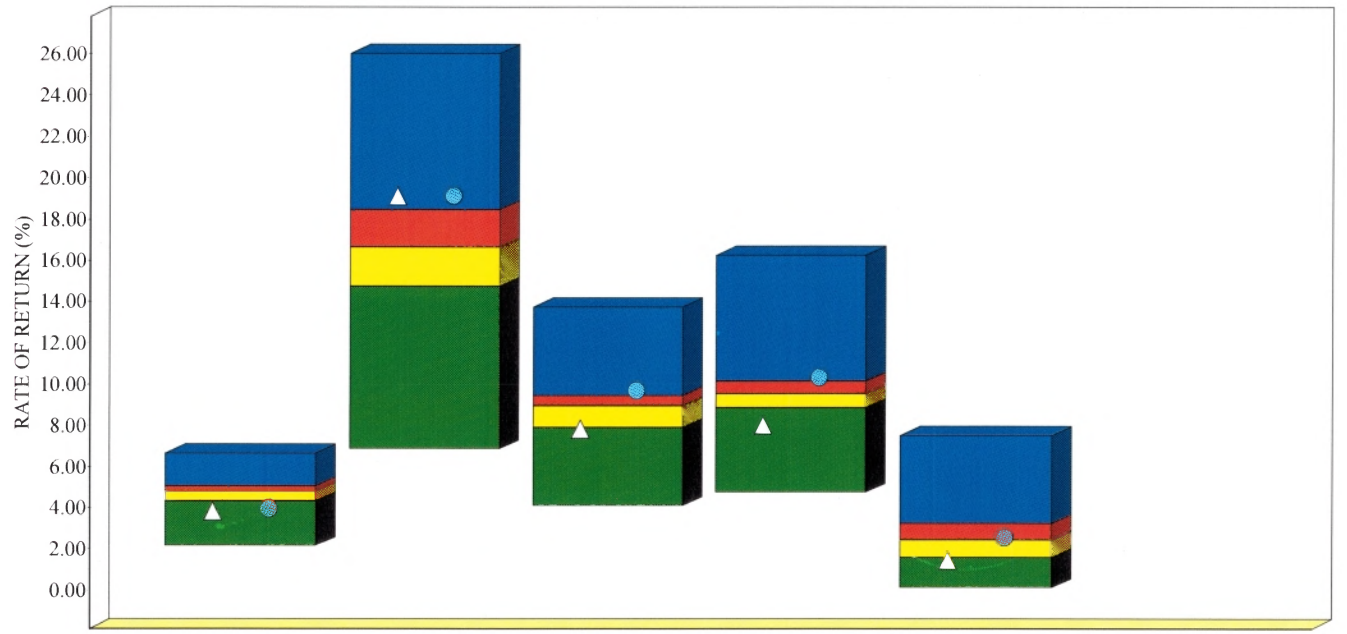


TARGET ASSET ALLOCATION



	MARKET VALUE ACTUAL	PERCENT ACTUAL	MARKET VALUE TARGET	PERCENT TARGET	MARKET VALUE DIFFERENCE	PERCENT DIFFERENCE
DOMESTIC EQUITY	5,606,800.0	44.7%	5,273,493.2	42.0%	333,306.8	2.7%
CONVERTIBLE	261,228.0	2.1%	627,796.8	5.0%	(366,568.8)	(2.9%)
INTERNATIONAL	690,325.0	5.5%	1,255,593.6	10.0%	(565,268.6)	(4.5%)
REIT	991,809.0	7.9%	627,796.8	5.0%	364,012.2	2.9%
FIXED INCOME	4,430,093.6	35.3%	4,394,577.7	35.0%	35,515.9	0.3%
CASH	575,680.7	4.6%	376,678.1	3.0%	199,002.6	1.6%
TOTAL FUND	**$12,555,936.3**	**100.0%**	**$12,555,936.3**	**100.0%**	**$0.0**	**0.0%**

Retirement Plan for Employees of the Town of Surfside
Quartile Ranking
Total Fund Versus BNY Mellon Public Funds Universe
September 30, 2007 Through September 30, 2012



	LATEST QUARTER	ONE YEAR	TWO YEARS	THREE YEARS	FIVE YEARS
HIGHEST VALUE	6.66	26.04	13.76	16.28	7.52
FIRST QUARTILE	5.06	18.45	9.47	10.14	3.24
MEDIAN VALUE	4.80	16.66	8.93	9.54	2.44
THIRD QUARTILE	4.33	14.75	7.90	8.85	1.60
LOWEST VALUE	2.15	6.85	4.11	4.75	0.13
MEAN	4.65	16.58	8.82	9.77	2.79

	LATEST QUARTER		ONE YEAR		TWO YEARS		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
△ TF	3.84	78	19.13	21	7.82	78	8.03	78	1.48	78
○ STRATEGIC MODEL	3.98	78	19.15	21	9.70	21	10.35	21	2.57	47

ACTUARIAL SECTION

GRS
Gabriel Roeder Smith & Company
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February 6, 2013

Board of Trustees
Retirement Plan for Employees of the
Town of Surfside, Florida
Surfside, Florida 33154

Dear Trustees:

The funding objective of the Plan is to establish contribution rates, expressed as percents of active member payroll, that will remain approximately level from year to year. Changes in Plan benefits, actuarial assumptions and methods and differences between actual and expected experience will cause the contribution rate to change.

Contributions that satisfy the funding objective are determined by annual actuarial valuations. These valuations determine a normal (current service) cost as a level percentage of payroll, plus level amortization of the unfunded actuarial accrued liability.

The information provided is compiled from annual actuarial valuations, including the most recent as of October 1, 2012. In performing these valuations, the Town provides certain data and the plan auditor submits financial statements. We rely on the accuracy of this information and we have performed a number of checks for reasonableness of the data.

The data being provided includes the following:

- Summary of actuarial assumptions and methods
- Schedule of active and retired member data
- Solvency tests
- Analysis of financial experience
- Summary of plan provisions and changes
- Schedule of revenue by source and expenses by type
- Schedule of benefit expenses by type
- Schedule of retired members by type of benefit
- Schedule of average benefit payments
- Schedule of funding progress and
- Accounting disclosure exhibit

We compiled all of the above information.

To the best of our knowledge, the assumptions and methods being utilized conform to the Government Accounting Standards Board (GASB) Statements No. 25 and No. 27.

On the basis of the October 1, 2012 Actuarial Valuation, in our opinion the Retirement Plan for Employees of the Town of Surfside, Florida continues to fund its pension obligations in a manner consistent with the stated funding objective and with generally accepted actuarial principles.

Sincerest regards,

L. F. Wilson

Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary of Actuarial Assumptions and Methods

A. Mortality

For healthy General Employee participants, the RP-2000 Combined Mortality Table was used with separate rates for males and females 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA.

For healthy Police Officer participants, the RP-2000 Combined Mortality Table with Blue Collar Adjustment was used with separate rates for males and females 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA.

For disabled participants, the RP-2000 Combined Disabled Mortality Table was used with separate rates for males and females 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA.

B. Investment Return

7.5%, compounded annually; net rate after investment related expenses.

C. Allowances for Expenses or Contingencies

Estimated expenses for upcoming year, not including investment related expenses.

D. Employee Withdrawal Rates

Withdrawal rates for males and females were used in accordance with the following illustrative examples:

General Employees	
Age	Withdrawal Rate
20	18.0%
30	15.2%
40	8.3%
50	2.2%
60	0.7%

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary Actuarial Assumptions and Methods (Continued)

D. Employee Withdrawal Rates (cont'd)

Police Officers			
Service	Withdrawal Rate	Service	Withdrawal Rate
1	20.0%	7	6.0%
2	18.0%	8	4.0%
3	15.0%	9	3.0%
4	12.0%	10	2.5%
5	10.0%	11 & over	2.0%
6	8.0%		

E. Salary Increase Factors

Current salary is assumed to increase at a rate based on the tables below.

General Employees	
Service	Salary Increase
0 – 4	6.5%
4 – 7	4.5%
7 & over	4.0%

Police Officers		
	Salary Increase	
Service	FY 2013	FY 2014 & Beyond
0 – 2	12.0%	13.5%
2 – 3	11.0%	12.5%
3 – 4	9.0%	10.5%
4 – 5	7.0%	8.5%
5 – 6	5.0%	6.5%
6 & over	3.0%	4.5%

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary Actuarial Assumptions and Methods (Continued)

F. Disability Benefits

1. Rates: See Table Below
2. Percent Service Connected: 25% for General, 80% for Police.
3. Assume 50% of Service Connected Disabilities are due to injury and 50% are due to disease.

	Annual Rate of Disability	
Age	General Employees	Police Department
20	0.07%	0.14%
30	0.11%	0.18%
40	0.19%	0.30%
50	0.51%	1.00%
60	1.66%	0.00%

G. Actuarial Value of Assets

The method used for determining the actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

H. Assumed Retirement Age

	Annual Rate of Retirement	
Age	General Employees	Police Officers
40	N/A	3%
41-45	4%	2%
46-47	3%	1%
48-50	2%	1%
51+	1%	1%
NRA	100%	100%

I. Marriage Assumption

100% of all members are assumed to be married. Wives are assumed to be years younger than their husbands.

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary Actuarial Assumptions and Methods (Continued)

J. Treatment of Actuarial Gains and Losses

Gains and losses are amortized over a period of 30 years.

K. Inflation

4.0% per year.

L. Cost of Living Adjustment

A 1.5% automatic annual cost of living increase is provided for all current and future retirees, disabled members, beneficiaries and vested terminated members.

M. Actuarial Funding Method

Normal Retirement, Termination, Disability, and Death Benefits: Entry-Age-Actuarial Cost Method.

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his age at hire to his assumed retirement age to fund his estimated benefits, assuming the Plan has always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the Plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of assets of the Plan.

N. Changes From Previous Valuation

Mortality was:

For healthy participants, the 1994 UP Mortality Table Projected to 2007 was used with separate rates for males and females. There is currently no margin for future mortality improvement in the current mortality assumption. We recommend the mortality assumption be reviewed in conjunction with an experience study to determine the appropriate margin (if any) to be used in the October 1, 2012 Actuarial Valuation.

For disabled participants, the RP 2000 Disabled Mortality Table Projected to 2007 was used with separate rates for males and females. There is currently no margin for future mortality improvement in the current mortality assumption. We recommend the mortality assumption be reviewed in conjunction with an experience study to determine the appropriate margin (if any) to be used in the October 1, 2012 Actuarial Valuation.

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary Actuarial Assumptions and Methods (Continued)

O. Choice of Assumptions and Methods

The actuarial assumptions and methods are recommended by the actuary and adopted by the Board of Trustees at various times. Unless otherwise indicated (below) the actuarial assumptions were adopted prior to 1998. The recommendations are based on a review of actual plan experience. A formal experience study was recently performed for the five (5) year period ended September 30, 2006.

Prior to October 1, 1999 the investment return assumption was 7.0%, compounded annually; net rate after investment related expenses.

Prior to October 1, 1999 the mortality assumption was the 1983 Group Annuity Mortality Tables with separate rates for males and females.

Prior to October 1, 2003 there was no cost of living adjustment benefit assumption.

Prior to October 1, 2004 the asset value was four-year smoothed average.

Prior to October 1, 2007 the mortality assumption was the 1994 Group Annuity Static Mortality Table with separate rates for males and females.

Prior to October 1, 2007 the salary increase assumption was 6.0% per year.

Prior to October 1, 2007 75% of disabilities were assumed to be service related for Police Officers.

Prior to October 1, 2007 the withdrawal rates for males and females were used in accordance with the following illustrative example:

	Annual Rate of Employment Termination	
Age	General Employees	Police Officers
20	12.4%	6.0%
30	10.5%	5.0%
40	5.7%	2.6%
50	1.5%	0.8%
60	0.5%	0.2%

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary Actuarial Assumptions and Methods (Continued)

Prior to October 1, 2010 the salary increase assumption was as follows:

General Employees		Police Officers	
Service	Salary Increase	Service	Salary Increase
0 – 3	8%	0 - 2	15%
3 – 7	7%	2 - 3	14%
7 & over	6%	3 - 4	12%
		4 - 5	10%
		5 - 6	8%
		6 & over	6%

Prior to October 1, 2012 the mortality assumption was the 1994 UP Mortality Table Projected to 2007 with separate rates for males and females for healthy lives and the RP 2000 Disabled Mortality Table Projected to 2007 with separate rates for males and females for disabled lives.

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Active and Retiree Valuation Data

Active Members				
Valuation Date	Number	Annual Payroll	Average Pay	% Increase
10/01/2007	90	$ 3,978,291	$ 44,203	8.9 %
10/01/2008	96	4,568,544	47,589	7.7
10/01/2009	79	4,059,522	51,386	8.0
10/01/2010	77	4,016,852	52,167	1.5
10/01/2011	78	4,053,208	51,964	(0.4)
10/01/2012	79	4,359,957	55,189	6.2

	Retirant and Beneficiary Data			Annual Allowances					
Valuation Date	Number Added	Number Removed	Number	Added to Roll	Removed from Roll	COLA	Total	% Increase in Annual Allowances	Average Annual Allowances
10/01/2007	2	3	32	$ 55,450	$ 35,746	$ 6,810	$ 529,640	5.3 %	$ 16,551
10/01/2008	0	3	29	0	25,193	6,327	510,774	(3.6)	17,613
10/01/2009	10	3	36	145,401	53,888	7,820	610,107	19.4	16,947
10/01/2010	3	0	39	35,996	0	7,284	653,387	7.1	16,754
10/01/2011	3	2	40	24,258	51,153	8,962	635,454	(2.7)	15,886
10/01/2012	4	4	40	56,890	45,855	8,206	654,695	3.0	16,367

Retirement Plan for Employees of the Town of Surfside, Florida

Solvency Test

Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Assets (1)	(2)	(3)
10/01/2007	$ 1,296,099	$ 5,504,436	$ 3,424,736	$ 11,201,453	100.0 %	100.0 %	100.0 %
10/01/2008	1,528,506	5,298,777	4,144,003	11,701,487	100.0	100.0	100.0
10/01/2009	1,437,003	6,228,781	3,996,513	11,697,998	100.0	100.0	100.0
10/01/2010	1,708,876	6,445,415	4,260,568	12,304,770	100.0	100.0	97.4
10/01/2011	1,918,025	6,246,414	5,107,584	12,487,404	100.0	100.0	84.6
10/01/2012	2,127,095	6,243,748	5,916,613	12,768,477	100.0	100.0	74.3

Retirement Plan for Employees of the Town of Surfside, Florida

Analysis of Financial Experience

Year	Gain (or Loss) During Year From Financial Experience	Gain (or Loss) During Year Due to Liabilities	Composite Gain (or Loss) During Year
2007	$ 209,407	$ 650,932	$ 860,339
2008	(324,963)	112,171	(212,792)
2009	(962,971)	387,434	(575,537)
2010	(417,823)	(332,096)	(749,919)
2011	(896,524)	75,429	(821,095)
2012	(826,199)	230,955	(595,244)

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary of Plan Provisions and Changes

A. Effective Date

January 1, 1962

B. Eligibility Requirements

All regular, full-time employees are eligible upon employment. The Town Manager and Town Attorney have the right to opt out of the Plan.

C. Creditable Service

All service of a member measured in years and completed months since latest date of hire with the Town.

D. Average Final Compensation (AFC):

The average of basic compensation during the highest three years (five years for General Employees) of the ten years preceding termination of employment; does not include bonuses, overtime, lump sum payments of unused leave or other non-regular payments.

E. Normal Retirement

Eligibility -
For sworn Police Officers, the earliest of (1) age 52 with 20 years of Creditable Service, (2) age 62 with 5 years of Creditable Service or (3) completion of 25 years of Creditable Service. For the Town Manager, age 64 with 7 years of Creditable Service. For all other employees, the earlier of (1) age 62 with 15 years of Creditable Service or (2) age 65 with 10 years of Creditable Service.

Benefit -

	Benefit Accrual Rate per Year of Service Based on Employee Contribution Rate of			
Period of Service	**5%**	**6%**	**7%**	**8%**
Before 10/1/1979	1 2/3%	N/A	N/A	N/A
10/1/1979 - 6/30/1996	1 2/3%	N/A	2%	N/A
7/1/1996 - 1/31/2003	1 2/3%	N/A	2%	2.5%
2/1/2003 - 9/30/2005	2%	2.5%	N/A	N/A
10/1/2005 - 9/30/2006	2%	2.5%	N/A	3% *
After 10/1/2006	2%	2.5%	N/A	3.5% *
Maximum benefit is 90% (75% prior to October 1, 2006) of AFC (60% of AFC for General Employees).				

* For Police Officers only.

Summary of Plan Provisions and Changes (Continued)

Form of Payment -
Straight life annuity with guaranteed refund of Accumulated Contributions (with options available).

F. Early Retirement

Eligibility -
The earlier of (a) age 55 with 15 years of Creditable Service, or (b) 20 years of Creditable Service regardless of age.

Benefit -
Same as Normal Retirement Benefit using AFC and Creditable Service as of Early Retirement Date but payable at Normal Retirement Date assuming continued employment. Alternatively, benefits may commence immediately after reduction of 0.5% for each month early.

G. Delayed Retirement

Eligibility -
Retirement after Normal Retirement Date.

Benefit -
Calculated in the same manner as Normal Retirement Benefit using AFC and Creditable Service as of delayed retirement date.

H. Disability

1. Service Connected

Eligibility -
Total and permanent disability incurred prior to normal retirement date as a direct result of performance of service to the Town and eligible for Social Security disability benefits.

Benefit -
75% (if injury) or 45% (if disease) of the rate of pay in effect on date of disability payable for life or until recovery. For General Employees, less Social Security disability benefits; there is an offset for Workers' Compensation to the extent that the disability benefit plus the Workers' Compensation benefit exceed 100% of pre-retirement salary.

Summary of Plan Provisions and Changes (Continued)

2. Non-Service Connected

   Eligibility -
   Total and permanent disability not incurred as a direct result of performance of service to the Town.

   Benefit -
   Accrued pension benefit.

I. Death Benefit

1. Pre-Retirement:
   Refund of Accumulated Contributions

2. After Normal Retirement Date but before Actual Retirement:
   Survivor benefit payable in accordance with optional form of benefit chosen by member.

3. After Retirement:
   Refund of any remaining Accumulated Contributions or optional survivor's benefits if elected.

J. Accumulated Contributions

The sum of all amounts contributed by members including 4% interest on contributions made after January 1, 1979. Effective January 1, 2009, member contributions are *picked-up* by the Town.

K. Termination Benefit

Upon termination prior to normal or early retirement date a member shall be entitled to choose (1) or (2) below, where:

1. Refund of Accumulated Contributions.
2. Benefit as for normal retirement using AFC and creditable service as of date of termination multiplied the applicable percentage on the table below, commencing at age 62 (65 for General Employees).

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

Summary of Plan Provisions and Changes (Continued)

Years of Credited Service	Percentage	
	General Employees	Police Officers
Less than 5	0%	0%
5	50%	100%
6	60%	100%
7	70%	100%
8	80%	100%
9	90%	100%
10 or more	100%	100%

L. Cost of Living Increase

A 1.5% automatic annual cost of living increase is provided for all current and future retirees, disabled members, beneficiaries and vested terminated members.

M. Deferred Retirement Option Program (DROP) (Police Officers Only)

1. Eligibility: Attainment of normal retirement date.
2. The maximum period of participation in the DROP is five (5) years.
3. An employee's account in the DROP program shall be credited with interest based upon actual Fund investment return.
4. No payment may be made from DROP until the employee actually separates from service with the Town.

N. Changes From Previous Valuation

Normal retirement eligibility was:

For sworn Police Officers, the earliest of (1) age 52 with 20 years of Creditable Service, (2) age 62 or (3) completion of 25 years of Creditable Service. For the Town Manager, age 64 with 7 years of Creditable Service. For all other employees, the earlier of (1) age 62 with 15 years of Creditable Service or (2) age 65 with 10 years of Creditable Service.

STATISTICAL SECTION

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Revenue by Source and Expenses by Type

Revenue by Source

Year Ending	Member Contributions	Employer Contributions		Investment Income	Total
		Amount	% of Annual Covered Payroll		
9/30/2007	$ 257,583	$ 264,370	6.6 %	$ 1,419,451	$ 1,941,404
9/30/2008	280,595	384,416	8.4	(1,593,976)	(928,965)
9/30/2009	318,692	423,747	10.4	(206,640)	535,799
9/30/2010	281,069	553,919	13.8	753,346	1,588,334
9/30/2011	284,950	625,963	15.4	(338,591)	572,322
9/30/2012	334,137	515,440	11.8	1,927,598	2,777,175

Expenses by Type

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Miscellaneous	Total
9/30/2007	$ 482,119	$ 39,112	$ 286,050	$ 0	$ 807,281
9/30/2008	501,137	75,895	102,545	0	679,577
9/30/2009	483,668	78,049	101,811	0	663,528
9/30/2010	574,121	69,101	49,843	0	693,065
9/30/2011	580,747	73,016	106,499	0	760,262
9/30/2012	550,266	75,410	59,355	0	685,031

STATISTICAL SECTION

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Benefit Expenses by Type

Year Ending	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Refunds		Total
	Retirants	Survivors		Retirants	Survivors	Death	Separation	
2007	$ 381,640	$ 26,639	$ 0	$ 73,840	$ 0	$ 0	$ 286,050	$ 768,169
2008	399,746	38,255	0	63,136	0	0	102,545	603,682
2009	366,341	53,244	0	64,083	0	0	101,811	585,479
2010	422,116	86,961	0	65,044	0	0	49,843	623,964
2011	420,855	93,872	0	66,020	0	0	106,499	687,246
2012	413,538	89,269	0	47,459	0	0	59,355	609,621

STATISTICAL SECTION

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Retired Members by Type
October 1, 2012

Amount of Monthly Benefit	Number of Retirants	Type of Retirement**			Option Selected #		
		1	2	3	Life	Opt. 1	Opt. 2
Deferred	8	0	0	8	7	1	0
$1-500	3	3	0	0	3	0	0
501-1,000	9	9	0	0	4	4	1
1,001-1,500	5	5	0	0	3	2	0
1,501-2,000	7	7	0	0	2	4	1
2,001-2,500	4	4	0	0	3	1	0
2,501-3,000	3	3	0	0	3	0	0
3,001-3,500	1	0	1	0	0	1	0
3,501-4,000	0	0	0	0	0	0	0
Over 4,000	0	0	0	0	0	0	0
Totals	40	31	1	8	25	13	2

** Type of Retirement

1 - Normal and Early retirement including survivor beneficiaries
2 - Disability retirement
3 - Former member with deferred future benefit

Option Selected

Life Annuity - Normal Form
Opt. 1 - Joint & Survivor
Opt. 2 - 10 years certain & life

STATISTICAL SECTION

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Average Benefit Payments

RETIREMENT EFFECTIVE DATES	YEARS OF CREDITED SERVICE							
For Fiscal Years ended September 30:	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
2007								
Average Monthly Benefit	$ -	$ -	$ -	$ -	$1,041	$3,580	$ -	$ 2,310
Monthly Average Final Salary	$ -	$ -	$ -	$ -	$3,090	$6,076	$ -	$ 4,583
Number of Active Retirants	-	-	-	-	1	1	-	2
2008								
Average Monthly Benefit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Monthly Average Final Salary	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of Active Retirants	-	-	-	-	-	-	-	-
2009								
Average Monthly Benefit	$ 761	$ -	$ -	$ 1,243	$ -	$ 616	$ 1,772	$ 1,127
Monthly Average Final Salary	$6,767	$ -	$ -	$ 3,133	$ -	$2,020	$ 2,954	$ 3,601
Number of Active Retirants	1	-	-	2	-	1	1	5
2010								
Average Monthly Benefit	$ -	$ -	$1,541	$ -	$ -	$ -	$ -	$ 1,541
Monthly Average Final Salary	$ -	$ -	$6,406	$ -	$ -	$ -	$ -	$ 6,406
Number of Active Retirants	-	-	1	-	-	-	-	1
2011								
Average Monthly Benefit	$ -	$ -	$ 877	$ -	$ -	$ -	$ -	$ 877
Monthly Average Final Salary	$ -	$ -	$3,499	$ -	$ -	$ -	$ -	$ 3,499
Number of Active Retirants	-	-	2	-	-	-	-	2
2012								
Average Monthly Benefit	$ -	$ -	$ 517	$ -	$ -	$ -	$ -	$ 517
Monthly Average Final Salary	$ -	$ -	$2,419	$ -	$ -	$ -	$ -	$ 2,419
Number of Active Retirants	-	-	1	-	-	-	-	1

Retirement Plan for Employees of the Town of Surfside, Florida

Schedule of Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2007	$ 11,201,453	$ 10,225,271	$ (976,182)	109.5%	$ 3,978,291	(24.5%)
10/01/2008	$ 11,701,487	$ 10,971,286	$ (730,201)	106.7%	$ 4,568,544	(16.0%)
10/01/2009	$ 11,697,998	$ 11,662,297	$ (35,701)	100.3%	$ 4,059,522	(0.9%)
10/01/2010	$ 12,304,770	$ 12,414,859	$ 110,089	99.1%	$ 4,016,852	2.7%
10/01/2011	$ 12,487,404	$ 13,272,023	$ 784,619	94.1%	$ 4,053,208	19.4%
10/01/2012	$ 12,768,477	$ 14,287,456	$ 1,518,979	89.4%	$ 4,359,957	34.8%

Retirement Plan for Employees of the Town of Surfside, Florida

Accounting Disclosure Exhibit

Historical Trend Information

A. Schedule of Employer Costs (GASB No. 25)

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
09/30/2007	$ 264,370	100%
09/30/2008	$ 384,905	100%
09/30/2009	$ 423,747	100%
09/30/2010	$ 553,919	100%
09/30/2011	$ 625,963	100%
09/30/2012	$ 523,245	99%

B. Schedule of Employer Costs (GASB No. 27)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2007	$ 266,589	99%	$ (227,176)
09/30/2008	$ 387,284	99%	$ (224,308)
09/30/2009	$ 425,917	99%	$ (222,138)
09/30/2010	$ 556,068	100%	$ (219,989)
09/30/2011	$ 628,266	100%	$ (217,686)
09/30/2012	$ 525,734	98%	$ (207,392)

Annual Pension Cost and Net Pension Asset

Fiscal Year Ended	09/30/2012	09/30/2013
Annual Required Contribution (ARC)	$ 523,245	$ 549,888
Interest on Net Pension Asset (NPA)	(16,326)	(15,554)
Adjustment to ARC	18,815	17,561
APC	$ 525,734	$ 551,895
Town Contributions	$ (515,440)	
Increase (Decrease) in NPA	$ 10,294	
NPA (beginning of year)	$ (217,686)	
NPA (end of year)	$ (207,392)	

Retirement Plan for Employees of the Town of Surfside, Florida

Accounting Disclosure Exhibit

Annual Pension Cost For the Current Year and Related Information:

Contribution rates:	
Employer	12.7%
Plan members	6.9%
Annual Pension Cost	$ 551,895
Contributions made	To be determined
Actuarial valuation date	10/1/2011
Actuarial cost method	Entry Age
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return *	7.5%
Projected salary increases *	3.0% - 13.5%
Cost of living adjustments	1.5%
* Includes inflation at	4.0%

STATISTICAL SECTION

TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE, FLORIDA

STATISTICAL SECTION
(Unaudited)

This part of the Retirement Plan for Employees of the Town of Surfside's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Fund's overall financial health.

CONTENTS

	Page(s)
Financial Trends	
These schedules contain trend information to help the reader understand how the Retirement Plan's financial performance and well-being have changed over time.	
Schedules of Changes in Net Assets Last Ten Fiscal Years	60 - 61
Schedules of Benefit Expense by Type Last Ten Fiscal Years	63
Schedule of Retired Members by Type of Benefit	65
Demographic Information	
This schedule offers demographic information to help the reader understand the environment within which the Retirement Plan financial activities take place.	
Schedule of Retired Members by Type of Benefit	61

TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE

SCHEDULE OF CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

	2003	2004	2005	2006
Additions				
Contributions				
Employer	$ -	$ 102,410	$ 102,410	$ 230,812
Plan Members	164,009	157,645	171,061	235,140
Plan Member Buybacks	-	-	-	21,764
Total Contributions	164,009	260,055	273,471	487,716
Investment Income				
Total Net Income from Investing activities	979,990	687,204	746,242	659,441
Total Additions to Plan Net Assets	1,143,999	947,259	1,019,713	1,147,157
Deductions				
Benefits	290,027	300,085	393,306	447,086
Refunds of Contributions	43,897	102,925	59,377	28,715
Administrative Expenses	33,517	39,396	39,960	38,323
Total Deductions from Plan Net Assets	367,441	442,406	492,643	514,124
Changes in Net Assets	776,558	504,853	527,070	632,033
Benefits:				
Beginning of Year	7,894,052	8,670,610	9,175,463	9,702,533
Prior period adjustment	-	-	-	-
End of Year	$8,670,610	$9,175,463	$9,702,533	$10,335,566

Source: Town of Surfside
Finance Department

2007	2008	2009	2010	2011	2012
$ 264,370	$ 384,416	$ 423,747	$ 553,919	$ 625,963	$ 515,440
257,583	280,595	318,692	281,069	284,950	321,155
-	-	-	-	-	12,982
521,953	665,011	742,439	834,988	910,913	849,577
1,434,365	(1,593,976)	(206,753)	753,346	(338,591)	1,927,598
1,956,318	(928,965)	535,686	1,588,334	572,322	2,777,175
482,119	501,137	483,668	574,121	580,747	550,266
286,050	81,234	123,009	49,843	106,499	59,355
39,112	75,895	78,049	69,101	73,016	75,410
807,281	658,266	684,726	693,065	760,262	685,031
1,149,037	(1,587,231)	(149,040)	895,269	(187,940)	2,092,144
10,335,566	11,484,603	9,897,372	9,748,332	10,643,601	10,463,981
-	-	-	-	8,320	-
$11,484,603	$ 9,897,372	$ 9,748,332	$10,643,601	$10,463,981	$12,556,125

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TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE

SCHEDULE OF BENEFIT EXPENSES BY TYPE
LAST TEN FISCAL YEARS

Year Ended	Age & Service Retirants	Benefits Survivors	Disability Benefits	Refunds Separation	Total
2003	229,361	18,380	42,286	43,897	333,924
2004	214,901	24,251	60,933	102,925	403,010
2005	298,846	32,613	61,847	59,377	452,683
2006	323,113	33,102	90,871	28,715	475,801
2007	372,859	26,639	82,621	286,050	768,169
2008	382,513	46,610	72,014	81,234	582,371
2009	353,645	56,929	73,094	123,009	606,677
2010	393,639	95,569	84,913	49,843	623,964
2011	417,725	97,002	66,020	106,499	687,246
2012	384,669	97,668	67,929	59,355	609,621

Source: Town of Surfside
Finance Department

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TOWN OF SURFSIDE, FLORIDA

RETIREMENT PLAN FOR EMPLOYEES OF THE

TOWN OF SURFSIDE

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

SEPTEMBER 30, 2012

Amount of Monthly Benefit	Number of Retirants	Type of Retirement**			Option Selected ***		
		1	2	3	Life	Opt 1	Opt 2
Deferred	8	0	0	8	7	1	0
$ 1 - 500	3	3	0	0	3	0	0
501 - 1,000	9	9	0	0	4	4	1
1,001 - 1,500	5	5	0	0	3	2	0
1,501 - 2,000	7	7	0	0	2	4	1
2,001 - 2,500	4	4	0	0	3	1	0
2,501 - 3,000	3	3	0	0	3	0	0
3,001 - 3,500	1	0	1	0	0	1	0
3,501 - 4,000	0	0	0	0	0	0	0
4,001 - 4.500	0	0	0	0	0	0	0
	40	31	1	8	25	13	2

** Type of Retirement

1 Normal and Early retirement including survivor beneficiaries

2 Disability retirement

3 Former member with deferred future benefit

*** Option Selected

Life Annuity - Normal Form

Opt. 1 - Joint & Survivor

Opt. 2 - 10 years certain and life