

# The Town of Middletown

## Pension Plan

Actuarial Valuation Report

Plan Year

July 1, 2014 – June 30, 2015

December 2014





December 16, 2014

Ms. Lynne Dible  
Finance Director  
Town Hall  
Town of Middletown  
350 East Main Road  
Middletown, RI 02840

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Dear Ms. Dible:

Buck Consultants, LLC (Buck) was retained to complete this actuarial valuation of the Town of Middletown Pension Plan. This report presents the results of the valuation for the plan year and the fiscal year ending June 30, 2015, including the recommended contribution.

### **Purpose of this Report**

The plan sponsor can use this report for determining plan contributions. The report may also be used to prepare the plan's and the plan sponsor's audited financial statements.

Use of this report for any other purpose or by anyone other than the plan sponsor may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without Buck Consultants' written consent.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Buck performed no analysis of the potential range of such future differences. An analysis of the potential range of such future differences is beyond the scope of this valuation.

### **Data Used**

Buck performed the valuation using participant and financial data supplied by the Town and John Hancock. Buck did not audit the data, although they were reviewed for reasonableness and consistency with the prior year data. The results of the valuation are dependent upon the accuracy of the data.

Ms. Lynne Dible  
Town of Middletown

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### Actuarial Certification

Based on the individually reasonable assumptions used in the preparation of this report, and on the data furnished us, we certify that projection of the costs under this plan has been made using generally accepted actuarial principles and practices, and that our recommended contributions make adequate provision for the funding of future benefits.

The report was prepared under the supervision of Philip Bonanno. We are members of the Society of Actuaries and of the American Academy of Actuaries. We meet the Qualification Standards of the Academy to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it. The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

BUCK CONSULTANTS, LLC



Philip Bonanno, FSA, EA, MAAA, FCA  
Director, Retirement



Jonathan E. Dobbs, ASA, EA, MAAA  
Director, Retirement

PB/JD/em  
Middletown Final 2014 Report

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## Section 1 – Summary

This report presents the results of the actuarial valuation of the Pension Plan for the plan year beginning July 1, 2014. In summary, the following is a comparison of the recommended contributions, expenses, assets, liabilities, and participant data for the plan year beginning July 1, 2014 and the prior plan year.

|   | 2014 Plan Year | 2013 Plan Year |
|---|----------------|----------------|
| Normal Cost                                   | \$144,564      | \$214,075      |
| Actuarial Accrued Liability                   | 57,937,304     | 57,528,731     |
| Plan Assets <sup>1</sup>                      | 53,730,902     | 46,973,630     |
| Actuarial Value of Assets                     | 48,979,273     | 44,427,860     |
| Unfunded Actuarial Accrued Liability          | 8,958,031      | 13,100,871     |
| Valuation Payroll                             | \$1,111,587    | \$1,506,155    |
| Recommended Contribution                      |                |                |
| Determined on the valuation date              | \$2,904,159    | \$3,535,930    |
| % of Valuation Payroll                        | 261.26%        | 234.77%        |
| Expected Employee Contributions               | \$70,754       | \$85,016       |
| Funded Status on Entry Age Basis <sup>2</sup> |                |                |
| ▪ Fire Department                             | 82.5%          | 75.3%          |
| ▪ Public Works                                | 97.2%          | 88.4%          |
| ▪ Police Department                           | 83.7%          | 76.3%          |
| ▪ School Custodial                            | 100.0%         | 100.0%         |
| ▪ School Clerical                             | 100.0%         | 100.0%         |
| ▪ Town Hall                                   | 86.5%          | 76.0%          |
| ▪ Total                                       | 84.5%          | 77.2%          |
| Annual Pension Cost (Section 7)               | \$3,090,677    | \$3,675,919    |

<sup>1</sup> General Account assets are determined at book value. Separate Account assets are determined at market value.

<sup>2</sup> Actuarial value of assets divided by entry age normal liability.

## Section 1 – Summary (continued)

### Recommended Contribution

The recommended contribution decreased from \$3,535,930 for the 2013 plan year to \$2,904,159 for the 2014 plan year.

Details regarding the recommended contribution are shown in Section 2.

### GASB Standards

On June 25, 2012 GASB released Statement Nos. 67 and 68, which supersede the requirements of Statement Nos. 25 and 27, respectively. The effective date for the financial reporting for pension plans under Statement No. 67 is for the financial reporting year commencing after June 15, 2013, i.e. the July 1, 2013 – June 30, 2014 fiscal year for the pension plan.

The disclosure requirements under GASB 67 were presented in a separate report dated September 26, 2014. Please refer to that document for all of the relevant accounting information.

Statement No. 68 pertains to governments sponsoring pension plans and its effective date is for the financial reporting year commencing after June 15, 2014, i.e. the July 1, 2014 – June 30, 2015 fiscal year for the City. Required GASB 68 information will be disclosed at that time. Since GASB 27 is in effect until that time, please see Section 7 for the appropriate GASB 27 disclosures.

### Plan Assets

John Hancock furnished the financial data. The actuarial value of plan assets increased from \$44,427,860 as of June 30, 2013 to \$48,979,273 as of June 30, 2014.

Details regarding plan assets are shown in Section 3, Plan Assets.

### Plan Participants

The plan sponsor and John Hancock provided the data concerning plan participants as of the valuation date.

| VALUATION DATE             | July 1, 2014 | July 1, 2013 |
|----------------------------|--------------|--------------|
| Number of Participants     |              |              |
| Active                     | 16           | 21           |
| Terminated Vested          | 5            | 6            |
| Disabled                   | 5            | 5            |
| Retirees and Beneficiaries | <u>136</u>   | <u>134</u>   |
| Total                      | 162          | 166          |

A reconciliation of the plan participants and a summary of participant characteristics are included in Section 4 of this report.

## Section 1 – Summary (continued)

### Actuarial Assumptions and Methods

The actuarial assumptions and methods are the same as were used in the prior actuarial valuation.

Section 5 contains a summary of the actuarial assumptions and methods used in this actuarial valuation.

### Plan Provisions

The actuarial valuation results contained in this report are based on the plan provisions in effect on July 1, 2014. These plan provisions are the same as those used in the prior actuarial valuation. A summary of the plan provisions is in Section 6.

### Plan Experience

Plan experience in the 2013-2014 plan year was more favorable than that anticipated under the funding assumptions used in the valuation, which led to the development of an overall experience gain for the year.

The primary source of the gain was favorable investment experience. The plan experienced a 15.9% rate of return on plan assets, or approximately \$3.9 million in excess of the amount expected under the valuation assumptions. Although recognition of 80% of this gain is deferred to later years, when combined with the recognition of gains experienced in prior years, the effective return on the actuarial value of assets is 11.8%, compared to the assumed 7.50%. The combined impact of all other sources of demographic experience was a loss. The primary source of the loss was earlier than anticipated retirements, mitigated somewhat by lower than expected pay increases.

The following table quantifies the various sources of gains and losses.

| Source<br>(positive numbers indicate a gain, negative numbers a loss) | Change in<br>Unfunded<br>Accrued Liability |
|---|--|
| Demographic   |  |
| • Inactive mortality  | \$ 5,738                                   |
| • Active mortality  | (8,129)                                    |
| • Retirement  | (216,925)                                  |
| • Termination   | (16,535)                                   |
| • Disability  | 2,314                                      |
| • Other (e.g., data changes)  | <u>(144,375)</u>                           |
| • Total   | \$ (377,912)                               |
| Salary growth   | 74,306                                     |
| Contributions in excess of expected amounts                           | 299,793                                    |
| Investment growth   | <u>1,891,144</u>                           |
| Total experience gain/(loss)  | \$ 1,887,331                               |

## Section 2 – Recommended Contribution

| Recommended Contribution  | Fire        | Public Works | Police      | School Custodial | School Clerical | Town Hall | Total       |
|---|-------------|--------------|-------------|------------------|-----------------|-----------|-------------|
| 1. Normal cost  | \$63,159    | \$41,304     | \$35,886    | \$0              | \$0             | \$4,215   | \$144,564   |
| 2. Amortization of unfunded accrued liability <sup>1</sup>  | 1,149,904   | 35,251       | 1,261,352   | 0                | 0               | 41,472    | 2,487,979   |
| 3. Estimated expenses <sup>2</sup>  | 27,426      | 6,202        | 32,811      | 709              | 507             | 1,345     | 69,000      |
| 4. Normal contribution (1. + 2. + 3.)   | \$1,240,489 | \$82,757     | \$1,330,049 | \$709            | \$507           | \$47,032  | \$2,701,543 |
| 5. Interest on 4. to end of the year  | 93,037      | 6,207        | 99,754      | 53               | 38              | 3,527     | 202,616     |
| 6. Recommended employer contribution  | \$1,333,526 | \$88,964     | \$1,429,803 | \$762            | \$545           | \$50,559  | \$2,904,159 |
| Estimated employee contributions  | \$30,697    | \$27,968     | \$10,465    | \$0              | \$0             | \$1,624   | \$70,754    |
| Ongoing cost for active employees as a percent of payroll (entry age normal cost, plus expenses, projected to year end) | 24.4%       | 10.9%        | 37.0%       | N/A              | N/A             | 14.2%     | 20.7%       |

<sup>1</sup> Elements of the unfunded actuarial liability are amortized over a closed six-year period beginning July 1, 2012.

<sup>2</sup> Allocated on the ratio of plan assets.



## Section 2 – Recommended Contribution (continued)

| Plan Liabilities  | Fire         | Public Works | Police       | School Custodial | School Clerical | Town Hall   | Total        |
|---|--------------|--------------|--------------|------------------|-----------------|-------------|--------------|
| 1. Actuarial accrued liability as of the valuation date                           |              |              |              |                  |                 |             |              |
| Retired participants and beneficiaries  | \$19,896,805 | \$2,184,971  | \$23,746,288 | \$503,268        | \$360,168       | \$915,710   | \$47,607,210 |
| Non-contributing and terminated participants entitled to deferred vested pensions | 124,442      | 0            | 280,151      | 362              | 0               | 3,106       | 408,061      |
| Disabled participants   | 427,107      | 0            | 1,308,577    | 0                | 0               | 19,419      | 1,755,103    |
| Present active participants   | 3,159,722    | 2,344,331    | 2,497,253    | 0                | 0               | 165,624     | 8,166,930    |
| Total   | \$23,608,076 | \$4,529,302  | \$27,832,269 | \$503,630        | \$360,168       | \$1,103,859 | \$57,937,304 |
| 2. Assets available to meet liability in (1.)                                     | \$19,467,816 | \$4,402,381  | \$23,290,740 | \$503,630        | \$360,168       | \$954,538   | \$48,979,273 |
| 3. Unfunded actuarial accrued liability (1.) - (2.)                               | 4,140,260    | 126,921      | 4,541,529    | 0                | 0               | 149,321     | 8,958,031    |
| 4. Funded status (2.) ÷ (1.)  | 82.5%        | 97.2%        | 83.7%        | 100.0%           | 100.0%          | 86.5%       | 84.5%        |
| 5. Normal cost  | \$63,159     | \$41,304     | \$35,886     | \$0              | \$0             | \$4,215     | \$144,564    |

## Section 2 – Recommended Contribution (continued)

| Amortization Amounts   | Fire        | Public Works | Police      | School Custodial | School Clerical | Town Hall  | Total         |
|--|-------------|--------------|-------------|------------------|-----------------|------------|---------------|
| 1. Prior year unfunded actuarial accrued liability   | \$5,779,963 | \$520,509    | \$6,529,888 | \$0              | \$0             | \$270,511  | \$13,100,871  |
| 2. Prior year normal cost plus expense   | 82,630      | 45,958       | 141,761     | 823              | 621             | 5,282      | 277,075       |
| 3. Interest on 1. and 2. to end of the year  | 439,694     | 42,485       | 500,374     | 62               | 47              | 20,684     | 1,003,346     |
| 4. Expected contributions  | 1,517,430   | 178,057      | 1,766,351   | 885              | 668             | 72,539     | 3,535,930     |
| 5. Expected unfunded actuarial accrued liability<br>(1.) + (2.) + (3.) – (4.)                    | \$4,784,857 | \$430,895    | \$5,405,672 | \$0              | \$0             | \$223,938  | \$10,845,362  |
| 6. Actual unfunded actuarial accrued liability<br>(before assumption, plan or<br>method changes) | \$4,140,260 | \$126,921    | \$4,541,529 | \$0              | \$0             | \$149,321  | \$8,958,031   |
| 7. (Gain)/Loss (6.) – (5.)   | \$(644,597) | \$(303,974)  | \$(864,143) | \$0              | \$0             | \$(74,617) | \$(1,887,331) |

## Section 3 – Plan Assets

### Reconciliation of Plan Assets

|                                     | IPG<br>Contract     | Trusteed<br>Funds   | Total               |
|-------------------------------------|---------------------|---------------------|---------------------|
| 1. Assets as of July 1, 2013        |                     |                     |                     |
| a. Fund assets as of July 1, 2013   | \$14,723,889        | \$31,951,496        | \$46,675,385        |
| b. Receivables (employer)           | 0                   | 288,595             | 288,595             |
| c. Receivables (employee)           | 0                   | 9,650               | 9,650               |
| d. Plan assets                      | <u>\$14,723,889</u> | <u>\$32,249,741</u> | <u>\$46,973,630</u> |
| 2. Income                           |                     |                     |                     |
| a. Employer Contributions           | \$0                 | \$3,371,055         | \$3,371,055         |
| b. Employee Contributions           | 0                   | 111,397             | 111,397             |
| c. Investment Return                | 698,595             | 6,706,215           | 7,404,810           |
| d. Transfers                        | <u>3,150,000</u>    | <u>(3,150,000)</u>  | <u>0</u>            |
| e. Total                            | \$3,848,595         | \$7,038,667         | \$10,887,262        |
| 3. Expenses                         |                     |                     |                     |
| a. Benefit Payments                 | \$4,395,204         | \$0                 | \$4,395,204         |
| b. Expenses and Commissions         | <u>29,503</u>       | <u>39,412</u>       | <u>68,915</u>       |
| c. Total                            | \$4,424,707         | \$39,412            | \$4,464,119         |
| 4. Assets as of June 30, 2014       |                     |                     |                     |
| a. Fund assets<br>(1d. + 2e. – 3c.) | \$14,147,777        | \$39,248,996        | \$53,396,773        |
| b. Receivables (employer)           | 0                   | 326,027             | 326,027             |
| c. Receivables (employee)           | <u>0</u>            | <u>8,102</u>        | <u>8,102</u>        |
| d. Plan assets                      | \$14,147,777        | \$39,583,125        | \$53,730,902        |

## Section 3 – Plan Assets (continued)

### Development of the Actuarial Value of Assets

|   |              |
|---|--------------|
| 1. Plan assets as of July 1, 2013       | \$46,973,630 |
| 2. Employee contributions               | 119,499      |
| 3. Employer contributions               | 3,697,082    |
| 4. Expenses                             | 68,915       |
| 5. Benefit payments                     | 4,395,204    |
| 6. Expected investment return at 7.50%  | 3,498,740    |
| 7. Actual investment return             | 7,404,810    |
| 8. Investment gain/(loss) [(7.) - (6.)] | \$3,906,070  |

#### 9. Deferral of gains/(losses)

| <u>Year Ending</u> | <u>Gain/(Loss)</u> | <u>Percent Deferred</u> | <u>Amount Deferred</u> |
|--------------------|--------------------|-------------------------|------------------------|
| 2014               | \$3,906,070        | 80%                     | \$3,124,856            |
| 2013               | 3,412,048          | 60%                     | 2,047,229              |
| 2012               | (2,821,370)        | 40%                     | (1,128,548)            |
| 2011               | 3,540,459          | 20%                     | 708,092                |
| 2010               | 463,849            | 0%                      | <u>0</u>               |

#### Total Deferral Amount

\$4,751,629

#### 10. Asset values as of July 1, 2014

|  |              |
|--|--------------|
| a. Plan assets   | \$53,730,902 |
| b. 80% of plan assets  | \$42,984,722 |
| c. 120% of plan assets   | \$64,477,082 |
| d. Actuarial value of assets [(10.a.) – (9.), but not less than 10.b., nor greater than 10.c.] | \$48,979,273 |

## Section 3 – Plan Assets (continued)

| Allocation of the Actuarial Value of Assets  | Fire         | Public Works | Police       | School Custodial | School Clerical | Town Hall   | Total        |
|--|--------------|--------------|--------------|------------------|-----------------|-------------|--------------|
| 1. Allocated plan assets as of July 1, 2013  | \$18,797,241 | \$4,237,473  | \$22,469,973 | \$413,553        | \$137,605       | \$917,785   | \$46,973,630 |
| 2. Employee contributions  | 55,575       | 34,523       | 27,337       | 0                | 0               | 2,064       | 119,499      |
| 3. Employer contributions  | 1,575,078    | 184,822      | 1,833,456    | 919              | 693             | 102,114     | 3,697,082    |
| 4. Expenses  | 27,607       | 6,234        | 33,017       | 551              | 155             | 1,351       | 68,915       |
| 5. Benefit payments  | 1,820,890    | 248,130      | 2,068,524    | 81,879           | 66,432          | 109,349     | 4,395,204    |
| 6. Expected investment return at 7.50%   | 1,401,625    | 316,497      | 1,676,220    | 27,960           | 7,849           | 68,589      | 3,498,740    |
| 7. Actual investment return  |              |              |              |                  |                 |             | 7,404,810    |
| 8. Allocated investment return<br>[Total(7.) ÷ Total(6.)] × Allocated(6.)                                | 2,966,430    | 669,841      | 3,547,589    | 59,175           | 16,612          | 145,163     | 7,404,810    |
| 9. Expected plan assets as of June 30, 2014<br>[(1.) + (2.) + (3.) – (4.) – (5.) + (8.)]                 | \$21,545,827 | \$4,872,295  | \$25,776,814 | \$391,217        | \$88,323        | \$1,056,426 | \$53,730,902 |
| 10. Allocated actuarial value of assets<br>[Allocated(9.) ÷ Total(9.)] × Total actuarial value of assets | \$19,640,448 | \$4,441,419  | \$23,497,272 | \$356,620        | \$80,512        | \$963,002   | \$48,979,273 |
| 11. Adjusted allocated assets <sup>1</sup>   | \$19,467,816 | \$4,402,381  | \$23,290,740 | \$503,630        | \$360,168       | \$954,538   | \$48,979,273 |

<sup>1</sup> For the two groups who have transferred to the State Plan, allocated assets are set equal to the present value of future benefits, and the remaining assets are allocated over the other four groups.

## Section 4 – Plan Participant Data

### A. Reconciliation of Participant Data

| Active Participants          | Fire | Public Works | Police | School Custodial | School Clerical | Town Hall | Total |
|------------------------------|------|--------------|--------|------------------|-----------------|-----------|-------|
| Total as of last valuation   | 6    | 7            | 7      | 0                | 0               | 1         | 21    |
| Vested terminations          |      |              |        |                  |                 |           |       |
| Non-vested Terminations      |      |              |        |                  |                 |           |       |
| Deaths                       |      |              |        |                  |                 |           |       |
| Retirements                  | (1)  |              | (4)    |                  |                 |           | (5)   |
| New disabled                 |      |              |        |                  |                 |           |       |
| Transfers to/from State Plan |      |              |        |                  |                 |           |       |
| New entrants                 |      |              |        |                  |                 |           |       |
| Total in this valuation      | 5    | 7            | 3      | 0                | 0               | 1         | 16    |

| Terminated Vested Participants | Fire | Public Works | Police | School Custodial | School Clerical | Town Hall | Total |
|--------------------------------|------|--------------|--------|------------------|-----------------|-----------|-------|
| Total as of last valuation     | 1    | 0            | 2      | 1                | 0               | 2         | 6     |
| Vested terminations            |      |              |        |                  |                 |           |       |
| Deaths                         |      |              |        |                  |                 |           |       |
| Retirements                    |      |              |        |                  |                 | (1)       | (1)   |
| Cash outs                      |      |              |        |                  |                 |           |       |
| Adjustments                    |      |              |        |                  |                 |           |       |
| Total in this valuation        | 1    | 0            | 2      | 1                | 0               | 1         | 5     |

## Section 4 – Plan Participant Data

### A. Reconciliation of Participant Data (continued)

| Disabled Participants      | Fire | Public Works | Police | School Custodial | School Clerical | Town Hall | Total |
|----------------------------|------|--------------|--------|------------------|-----------------|-----------|-------|
| Total as of last valuation | 1    | 0            | 3      | 0                | 0               | 1         | 5     |
| Deaths                     |      |              |        |                  |                 |           |       |
| Retirements                |      |              |        |                  |                 |           |       |
| New disabled               |      |              |        |                  |                 |           |       |
| Adjustments                |      |              |        |                  |                 |           |       |
| Total in this valuation    | 1    | 0            | 3      | 0                | 0               | 1         | 5     |

| Retirees and Beneficiaries | Fire | Public Works | Police | School Custodial | School Clerical | Town Hall | Total |
|----------------------------|------|--------------|--------|------------------|-----------------|-----------|-------|
| Total as of last valuation | 45   | 9            | 56     | 7                | 11              | 6         | 134   |
| Deaths                     | (2)  |              | (1)    | (1)              | (4)             |           | (8)   |
| Retirements                | 1    |              | 4      |                  |                 | 1         | 6     |
| New beneficiaries          | 2    |              |        |                  |                 |           | 2     |
| New alternate payees       | 1    |              |        |                  |                 |           | 1     |
| Adjustments                | 1    |              |        |                  |                 |           | 1     |
| Total in this valuation    | 48   | 9            | 59     | 6                | 7               | 7         | 136   |

## Section 4 – Plan Participant Data

### B. Inactive Participant Statistics as of the Valuation Date

| Average Age                    | Fire | Public Works | Police | School Custodial | School Clerical | Town Hall | Total |
|--------------------------------|------|--------------|--------|------------------|-----------------|-----------|-------|
| Terminated vested participants | 51.3 |              | 49.7   | 43.9             |                 | 42.7      | 47.5  |
| Retirees                       | 64.0 | 71.2         | 62.6   | 80.3             | 83.4            | 72.4      | 66.0  |
| Beneficiaries                  | 72.6 | 81.9         | 74.0   | 86.0             |                 | 87.3      | 76.5  |
| Disabled participants          | 47.1 |              | 50.0   |                  |                 | 82.9      | 56.0  |

| Average Monthly Benefit        | Fire     | Public Works | Police | School Custodial | School Clerical | Town Hall | Total  |
|--------------------------------|----------|--------------|--------|------------------|-----------------|-----------|--------|
| Terminated vested participants | \$ 1,298 |              | \$ 846 | \$ 14            |                 | \$ 130    | \$ 627 |
| Retirees                       | 3,514    | \$ 2,468     | 3,302  | 1,329            | \$ 617          | 1,570     | 3,017  |
| Beneficiaries                  | 811      | 937          | 880    | 459              |                 | 1,126     | 839    |
| Disabled participants          | 3,141    |              | 3,374  |                  |                 | 224       | 2,698  |



## Section 5 – Actuarial Assumptions and Methods

### Actuarial Funding Assumptions

#### Funding valuation interest rate

7.50% per annum

#### Compensation increase rate

5.00% per annum

#### Retirement age:

Police and Fire Department

Rates according to the following table:

| Years of Service | Percent Retiring |
|------------------|------------------|
| Less than 20     | 0%               |
| 20               | 25%              |
| 21 – 24          | 50%              |
| 25 or more       | 100%             |

100% upon the attainment of age 58 regardless of service.

#### All Others

100% at the age at which unreduced benefits are first available.

#### Healthy Mortality

RP-2000 Combined Generational Mortality Table

#### Disabled Mortality

Healthy mortality, set forward 10 years.

#### Disability Incidence

United Auto Workers 1955 Table

#### Turnover

Sarason Table T-1 Table

#### Marriage Assumption

90% of males and 75% of females are married, with males four years older than their female spouse.

#### Expenses

Prior year's expenses, rounded to the nearest thousand dollars.

#### Participant Data

Retiree census data was supplied by John Hancock. All other employee data used in these calculations was supplied by the employer.

The experience study report dated March 2012 outlines the most recent comprehensive review of the actuarial assumptions noted above.

## Section 5 – Actuarial Assumptions and Methods (continued)

### Funding Methods

#### Actuarial Cost Method

Entry age normal. The actuarial present value of projected benefits of each individual is allocated on a level basis over the covered salary of the individual between date of hire and assumed date they cease active employment. The portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future entry age normal cost is called the accrued liability.

### Assets

#### Funding

General Account assets are determined at book value. Separate Account assets are determined at market value. The Actuarial Value of assets is determined using a method that spreads over a period of five years the difference between the actual investment income and the expected income (based on the valuation interest rate applied to the prior year's market value of assets). Resulting value constrained to be within corridor from 80% to 120% of market value.

#### Amortization Period

The unfunded accrued liability is amortized over a closed six-year period beginning with the July 1, 2012 valuation.

### Changes Since the Prior Valuation

None.

## Section 6 – Summary of Plan Provisions

|   | Fire Department   | Police Department  | School Custodial, Town Hall, and School Clerical  | Public Works  |
|---|---|--|---|---|
| <b>Eligibility</b>                        | The later of the date the employee elects to make contributions to the plan, or the first day of the month coincident with or following the date of hire. Elected employees and Certified employees of the School Department are not eligible to participate. |  |   |   |
|   | Employees hired after July 1, 2001 become members of the State plan and do not participate in this plan.  |  |   |   |
| <b>Average Annual Compensation (AAC)</b>  | Average earnings during the three-consecutive year period in which the average is the highest.  |  |   |   |
| <b>Normal Retirement Date</b>             | 20 years of service.  | 20 years of service.   | Age 65 with five years of service.  | Earlier of age 65 or 30 years of service.   |
| <b>Normal Retirement Benefit</b>          | 2.75% of AAC multiplied by the number of completed years and months of service. Maximum benefit is 75% of AAC.  | 3.00% (2.50% if less than 20 years of service) of AAC multiplied by the number of completed years and months of service. Maximum benefit for employees hired after 7/1/1986 is 70% of AAC. | 2.00% of AAC multiplied by the number of completed years and months of service. Maximum benefit for employees hired after 7/1/1986 is 70% of AAC. | 2.50% of AAC multiplied by the number of completed years and months of service. Maximum benefit for employees hired after 7/1/1986 is 70% of AAC. |
| <b>Normal Form of Annuity</b>             | 67½% Contingent Annuity, payable to the later of the date the spouse remarries or dies, or the date all dependent children attain age 18.   | 67½% Contingent Annuity, payable to the later of the date the spouse remarries or dies, or the date all dependent children attain age 18.  | Modified Cash Refund  | Modified Cash Refund  |
| <b>Employee Contributions</b>             | 9% of Compensation  | 7% of Compensation   | 4% of Compensation  | 6% of Compensation  |
| <b>Interest on Employee Contributions</b> | 5% per year   | 5% per year  | 5% per year   | 5% per year   |

## Section 6 – Summary of Plan Provisions

|                                 | Fire Department  | Police Department  | School Custodial, Town Hall, and School Clerical   | Public Works   |
|---------------------------------|--|--|--|--|
| <b>Early Retirement Date</b>    | None.  | None.  | Within five years of normal retirement date and completion of ten years of service.  | Within five years of normal retirement date and completion of ten years of service.  |
| <b>Early Retirement Benefit</b> | None.  | None.  | Accrued annuity reduced by 0.5% for each month by which the Early Retirement Date precedes the Normal Retirement Date.                     | Accrued annuity reduced by 0.5% for each month by which the Early Retirement Date precedes the Normal Retirement Date.                     |
| <b>Disability Eligibility</b>   | Totally disabled for six months and eligible to receive disability payments under Social Security after completion of 10 years of service.   | Totally disabled for six months and eligible to receive disability payments under Social Security after completion of 10 years of service. | Totally disabled for six months and eligible to receive disability payments under Social Security after completion of 10 years of service. | Totally disabled for six months and eligible to receive disability payments under Social Security after completion of 10 years of service. |
| <b>Disability Benefit</b>       | Accrued benefit at date of disability, payable immediately, unreduced for early commencement.<br><br>If disability incurred in the line of duty, the benefit is $\frac{2}{3}$ of final compensation. | Accrued benefit at date of disability, payable immediately, unreduced for early commencement.  | Accrued benefit at date of disability, payable immediately, unreduced for early commencement.  | Accrued benefit at date of disability, payable immediately, unreduced for early commencement.  |

## Section 6 – Summary of Plan Provisions

|   | Fire Department  | Police Department  | School Custodial, Town Hall, and School Clerical   | Public Works   |
|---|--|--|--|--|
| <b>Pre-Retirement Spouse's Benefit Eligibility (In-Service Death While Married)</b> | Completion of 20 years of service.   | Completion of 20 years of service.   | Within five years of Normal Retirement Date after completion of 10 years of service.   | Within five years of Normal Retirement Date after completion of 10 years of service.   |
| <b>Pre-Retirement Spouse's Benefit</b>  | 67½% of accrued benefit payable to the later of the date the spouse remarries or dies, or the date all dependent children attain age 18.   | 67½% of accrued benefit payable to the later of the date the spouse remarries or dies, or the date all dependent children attain age 18.   | 50% of accrued benefit reduced for early commencement and adjusted for payment over spouse's lifetime.   | 50% of accrued benefit reduced for early commencement and adjusted for payment over spouse's lifetime.   |
| <b>Death Benefit (Not Eligible for Spouse's Benefit)</b>                            | Refund of accumulated employee contributions.  | Refund of accumulated employee contributions.  | Refund of accumulated employee contributions.  | Refund of accumulated employee contributions.  |
| <b>Vesting Provisions</b>   | Participant is fully vested in accumulated employee contributions. Participant is 100% vested in Employer provided portion of the benefit after completion of 10 years of service. | Participant is fully vested in accumulated employee contributions. Participant is 100% vested in Employer provided portion of the benefit after completion of 10 years of service. | Participant is fully vested in accumulated employee contributions. Participant is 100% vested in Employer provided portion of the benefit after completion of 10 years of service. | Participant is fully vested in accumulated employee contributions. Participant is 100% vested in Employer provided portion of the benefit after completion of 10 years of service. |

## Section 7 – GASB 27 Information

GASB Statement No. 68 pertains to governments sponsoring pension plans and its effective date is for the financial reporting year commencing after June 15, 2014, i.e. the July 1, 2014 – June 30, 2015 fiscal year for the City. Required GASB 68 information will be disclosed at that time. Since GASB 27 is in effect until that time, the table below reports the appropriate GASB 27 disclosures. Note, however, that the actual pension expense for fiscal year ending June 30, 2015 will be based on GASB 68, so the FYE 2015 information shown below is strictly for comparison purposes.

| Year Ending June 30 | Annual Required Contribution | Interest on NPO | Amortization of NPO | Annual Pension Cost<br>(a) + (b) – (c) | Actual Contribution | Change in NPO<br>(d) – (e) | NPO Balance |
|---------------------|------------------------------|-----------------|---------------------|--|---------------------|----------------------------|-------------|
|                     | (a)                          | (b)             | (c)                 | (d)                                    | (e)                 | (f)                        | (g)         |
| 1998                |                              |                 |                     |  |                     |                            | \$3,819,131 |
| 1999                | \$1,667,079                  | \$286,435       | \$357,808           | \$1,595,706                            | \$0                 | \$1,595,706                | 5,414,837   |
| 2000                | 1,786,991                    | 406,113         | 519,480             | 1,673,624                              | 6,320,057           | (4,646,433)                | 768,404     |
| 2001                | 1,696,178                    | 57,630          | 77,480              | 1,676,328                              | 3,552,280           | (1,875,952)                | (1,107,548) |
| 2002                | 1,772,726                    | (83,066)        | (116,619)           | 1,806,279                              | 1,637,902           | 168,377                    | (939,171)   |
| 2003                | 1,391,716                    | (70,438)        | (110,178)           | 1,431,456                              | 1,544,215           | (112,759)                  | (1,051,930) |
| 2004                | 1,976,665                    | (78,895)        | (141,050)           | 2,038,820                              | 2,056,968           | (18,148)                   | (1,070,078) |
| 2005                | 2,355,728                    | (80,256)        | (152,205)           | 2,427,677                              | 2,378,484           | 49,193                     | (1,020,885) |
| 2006                | 2,617,280                    | (76,566)        | (153,199)           | 2,693,913                              | 2,565,355           | 128,558                    | (892,327)   |
| 2007                | 2,383,896                    | (66,925)        | (148,641)           | 2,465,612                              | 2,723,607           | (257,995)                  | (1,150,322) |
| 2008                | 2,475,038                    | (86,274)        | (236,373)           | 2,625,137                              | 2,480,745           | 144,392                    | (1,005,930) |
| 2009                | 2,715,725                    | (75,445)        | (231,284)           | 2,871,564                              | 2,575,587           | 295,977                    | (709,953)   |
| 2010                | 2,780,271                    | (53,246)        | (112,752)           | 2,839,777                              | 2,826,050           | 13,727                     | (696,226)   |
| 2011                | 2,761,665                    | (52,217)        | (121,958)           | 2,831,406                              | 3,795,486           | (964,080)                  | (1,660,306) |
| 2012                | 3,240,416                    | (124,523)       | (353,720)           | 3,469,613                              | 2,873,858           | 595,755                    | (1,064,551) |
| 2013                | 3,456,284                    | (79,841)        | (226,797)           | 3,603,240                              | 3,351,805           | 251,435                    | (813,116)   |
| 2014                | 3,535,930                    | (60,984)        | (200,973)           | 3,675,919                              | 3,697,082           | (21,163)                   | (834,279)   |
| 2015                | 2,904,159                    | (62,571)        | (249,089)           | 3,090,677                              |                     |                            |             |