

August 20, 2014

Mr. Matt Wojcik  
Town Administrator  
343 Highland Road  
Tiverton, Rhode Island 02878

Dear Matt:

An actuarial valuation of the Town of Tiverton Police Department Pension Plan (Plan) was performed as of July 1, 2014. The purpose of the valuation is to:

- Compare the current value of Trust assets with accrued liabilities to assess the funded condition of the Pension Plan,
- Compute the Town's recommended contribution rate for the Fiscal Year ending June 30, 2015, and
- Provide information which may be required by the Town's auditors under GASB 67/68.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. The employee data and Plan asset data was provided by the plan administrator. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. Employee data is snapshot data as of the valuation date.

The valuation was based on the provisions of the Plan as amended through the beginning of the Plan Year. Each actuarial assumption used in this valuation is reasonably related to the past experience of the Plan and represents reasonable expectations of future experience under the Plan. The Plan trustees with advice and approval of the actuary set the assumptions and methods for the valuation.

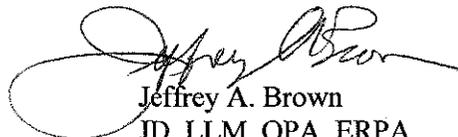
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Neither the signing actuary nor the firm of McCloud & Associates has a conflict of interest that would impair the objectivity of our work. The undersigned meets the Qualification Standards for Prescribed Statements of Actuarial Opinion promulgated by the American Academy of Actuaries.

Respectfully submitted,



Traci M. Christian, EA, MAAA  
Enrollment Number: 14-06694  
McCloud & Associates, Inc.



Jeffrey A. Brown  
JD, LLM, QPA, ERPA  
Compensation Planning

***Town of Tiverton Police  
Department Pension Plan***

*Actuarial Valuation as of July 1, 2014*



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***Section One:***

***Valuation Summary***

**Liabilities and Funded Condition of Pension Plan**

|                             | <b><u>July 1, 2013</u></b> | <b><u>July 1, 2014</u></b> |
|-----------------------------|----------------------------|----------------------------|
| Actuarial Accrued Liability | \$13,616,401               | \$14,002,853               |
| Actuarial Value of Assets   | \$7,465,375                | \$8,848,568                |
| Funded Status of the Plan   | 54.8%                      | 63.2%                      |

**Actuarial Value of Assets**

The market value of assets including accrued contributions was used for the July 1, 2014 valuation.

**Town’s Computed Contribution Rate**

The Town’s recommended contribution rate was computed as a percentage of active member payroll and assumed to be payable mid-year.

|                                       | <b><u>July 1, 2013</u></b> | <b><u>July 1, 2014</u></b> |
|---------------------------------------|----------------------------|----------------------------|
| Normal Cost                           | 19.7%                      | 21.7%                      |
| Amortization of Unfunded Liability    | 25.2%                      | 22.6%                      |
| Interest                              | 2.7%                       | 2.6%                       |
| Total Computed Contribution           | 47.6%                      | 46.9%                      |
| Member portion                        | 10.0%                      | 10.0%                      |
| Town’s Net Computed Contribution Rate | 37.6%                      | 36.9%                      |

**Pension Fund Experience**

Overall experience during the year ended June 30, 2014, was more favorable than expected due mainly to investment gains. The plan assets earned a rate of return of approximately 15.3% which results in a gain to plan assets of \$588,679. Additional liability gains due mainly to lower than expected salary increases resulted in a total actuarial gain for the year ended June 30, 2014, was \$784,649.

**Benefit Provision Changes**

There were no changes to the Plan provisions.

**Assumption and Method Changes**

There were no changes to the assumptions or methods.

**Participant Data**

|                            | <u>July 1, 2013</u> | <u>July 1, 2014</u> |
|----------------------------|---------------------|---------------------|
| Active Members             | 25                  | 29                  |
| Active Member Payroll      | \$1,448,086         | \$1,454,719         |
| Average Member Payroll     | 57,923              | 50,163              |
| Retirees and Beneficiaries | 27                  | 26                  |
| Annual Pensions            | \$714,130           | \$699,492           |

**Financial Data**

|                        |             |             |
|------------------------|-------------|-------------|
| Market Value of Assets | \$7,465,375 | \$8,848,568 |
|------------------------|-------------|-------------|

**Conclusion and Comments**

The unfunded accrued liabilities are amortized over a closed amortization period.

Actual contributions last year were greater than the recommended contribution rate are expected to remain so for at least another 6 years in accordance with the Funding Improvement Plan.

The long term viability of this plan is dependent on adherence to funding the actuarial recommended contribution each year including the Funding Improvement Plan. Lower contributions could put the plan at risk of bankruptcy.



***Section Two:***

***Actuarial Calculations –  
Funding***

**Unfunded Actuarial Accrued Liability**

|                                      | <b><u>July 1, 2013</u></b> | <b><u>July 1, 2014</u></b> |
|--------------------------------------|----------------------------|----------------------------|
| Actuarial Accrued Liability          | \$13,616,401               | \$14,002,853               |
| Actuarial Value of Assets            | <u>\$7,465,375</u>         | <u>\$8,848,568</u>         |
| Unfunded Actuarial Accrued liability | \$6,151,026                | \$5,154,285                |
| Funded Status of the Plan            | 54.8%                      | 63.2%                      |

**Computed Contribution Rates**

The contribution rates shown below are expressed as percents of active member payroll (under Normal Retirement Age.).

The normal cost can be viewed as the long-term ongoing cost of the Pension Plan.

Accrued liabilities exceeded accrued assets as of July 1, 2014. The excess was amortized as a closed amortization period of 23 years. This amortization charge was applied to the recommended contribution.

**Contribution Recommendation for Fiscal Year Beginning July 1, 2014:**

|                                       | <b><u>Dollar Amount</u></b> | <b><u>As a Percent<br/>Of Current Payroll</u></b> |
|---------------------------------------|-----------------------------|---|
| Total Normal Cost                     | \$315,103                   | 21.7%   |
| Amortization of Unfunded Liability    | 329,563                     | 22.6%   |
| Interest to Middle of Fiscal Year     | 37,440                      | 2.6%  |
| Total Computed Contribution           | 682,106                     | 46.9%   |
| Expected Member portion               | (145,472)                   | (10.0)%   |
| Town’s Net Computed Contribution Rate | \$536,634                   | 36.9%   |

**Town of Tiverton Police Department Pension Plan  
Projection of Funded Status and Recommended Contributions**

| Year      | Employer    | Amortization | Recommended  | Expected     | Contribution | Benefit    | Accrued   | Unfunded   | Funded    |        |
|-----------|-------------|--------------|--------------|--------------|--------------|------------|-----------|------------|-----------|--------|
| Beginning | Normal Cost | of Unfunded  | Contribution | Contribution | Payroll      | of Payroll | Liability | Liability  | Ratio     |        |
| 2014      | 169,631     | 329,563      | 536,634      | 700,000      | 1,454,719    | 48.1%      | 717,929   | 14,002,853 | 5,154,285 | 63.2%  |
| 2015      | 175,568     | 330,353      | 543,866      | 700,000      | 1,505,634    | 46.5%      | 789,326   | 14,490,569 | 5,023,210 | 65.3%  |
| 2016      | 181,713     | 331,334      | 551,525      | 700,000      | 1,558,331    | 44.9%      | 844,503   | 10,058,485 | 4,888,686 | 67.3%  |
| 2017      | 188,073     | 332,537      | 559,656      | 700,000      | 1,612,873    | 43.4%      | 922,034   | 10,636,700 | 4,750,679 | 69.1%  |
| 2018      | 194,656     | 334,006      | 568,311      | 700,000      | 1,669,324    | 41.9%      | 940,942   | 11,177,842 | 4,609,159 | 70.8%  |
| 2019      | 201,469     | 335,791      | 577,554      | 700,000      | 1,727,750    | 40.5%      | 973,255   | 11,739,953 | 4,464,101 | 72.5%  |
| 2020      | 208,520     | 337,954      | 587,460      | 700,000      | 1,788,221    | 39.1%      | 1,040,973 | 12,310,698 | 4,315,487 | 74.0%  |
| 2021      | 215,818     | 340,577      | 598,124      | 700,000      | 1,850,809    | 37.8%      | 1,155,802 | 12,853,990 | 4,163,307 | 75.5%  |
| 2022      | 223,372     | 343,758      | 609,665      | 700,000      | 1,915,587    | 36.5%      | 1,196,554 | 13,318,895 | 4,007,560 | 76.9%  |
| 2023      | 231,190     | 347,629      | 622,230      | 622,230      | 1,982,633    | 31.4%      | 1,238,015 | 13,776,387 | 3,848,251 | 78.2%  |
| 2024      | 239,281     | 359,796      | 644,009      | 644,009      | 2,052,025    | 31.4%      | 1,269,101 | 14,147,406 | 3,763,169 | 79.0%  |
| 2025      | 247,656     | 372,389      | 666,549      | 666,549      | 2,123,846    | 31.4%      | 1,394,606 | 14,535,778 | 3,658,625 | 79.9%  |
| 2026      | 256,324     | 385,423      | 689,878      | 689,878      | 2,198,180    | 31.4%      | 1,407,942 | 14,845,607 | 3,532,704 | 80.8%  |
| 2027      | 265,296     | 398,913      | 714,024      | 714,024      | 2,275,117    | 31.4%      | 1,421,255 | 15,188,165 | 3,383,327 | 81.8%  |
| 2028      | 274,581     | 412,875      | 739,015      | 739,015      | 2,354,746    | 31.4%      | 1,445,940 | 15,566,749 | 3,208,246 | 82.9%  |
| 2029      | 284,191     | 427,325      | 764,880      | 764,880      | 2,437,162    | 31.4%      | 1,478,631 | 15,973,107 | 3,005,024 | 84.2%  |
| 2030      | 294,138     | 442,282      | 791,651      | 791,651      | 2,522,462    | 31.4%      | 1,515,784 | 16,401,891 | 2,771,026 | 85.5%  |
| 2031      | 304,433     | 457,761      | 819,359      | 819,359      | 2,610,749    | 31.4%      | 1,522,602 | 16,851,058 | 2,503,401 | 87.1%  |
| 2032      | 315,088     | 473,783      | 848,036      | 848,036      | 2,702,125    | 31.4%      | 1,560,054 | 17,354,546 | 2,199,062 | 88.8%  |
| 2033      | 326,116     | 490,365      | 877,718      | 877,718      | 2,796,699    | 31.4%      | 1,574,082 | 17,885,618 | 1,854,675 | 90.6%  |
| 2034      | 337,530     | 507,528      | 908,438      | 908,438      | 2,894,584    | 31.4%      | 1,577,070 | 18,471,646 | 1,466,633 | 92.6%  |
| 2035      | 349,344     | 525,292      | 940,233      | 940,233      | 2,995,894    | 31.4%      | 1,564,650 | 19,129,247 | 1,031,038 | 94.9%  |
| 2036      | 361,571     | 543,677      | 973,141      | 973,141      | 3,100,750    | 31.4%      | 1,580,848 | 19,880,849 | 543,677   | 97.3%  |
| 2037      | 374,226     | 402,293      | 402,293      | 402,293      | 3,209,277    | 12.5%      | 1,633,994 | 20,704,924 | -         | 100.0% |
| 2038      | 387,324     | 416,373      | 416,373      | 416,373      | 3,321,601    | 12.5%      | 1,655,144 | 20,964,818 | -         | 100.0% |
| 2039      | 400,880     | 430,946      | 430,946      | 430,946      | 3,437,857    | 12.5%      | 1,668,130 | 21,236,340 | -         | 100.0% |

The results presented here are ESTIMATES. They are based on the data, assumptions, methods and plan provisions outlined in this report unless otherwise noted. These results are for **discussion purposes only** and should not be relied upon for purposes of making cash contributions to the Plan nor for any other purposes.

**Recommended Town Contributions**

| <b>Year Ended June 30</b> | <b>Computed Contribution</b> | <b>% of Payroll Contribution Rates</b> |
|---------------------------|------------------------------|--|
| 2008                      | 597,226                      | 44.6                                   |
| 2009                      | 711,225                      | 47.0                                   |
| 2010                      | 1,023,362                    | 59.6                                   |
| 2011                      | 1,067,884                    | 60.6                                   |
| 2012                      | 682,092                      | 43.0                                   |
| 2013                      | 590,573                      | 40.1                                   |
| 2014                      | 544,334                      | 37.6                                   |
| <b>2015</b>               | <b>536,634</b>               | <b>36.9</b>                            |

**History of Assets and Accrued Liabilities**

| <b>Valuation Date July 1</b> | <b>Valuation Assets</b> | <b>Actuarial Accrued Liabilities</b> | <b>Funded Ratio</b> | <b>Unfunded Actuarial Accrued Liabilities</b> |
|------------------------------|-------------------------|--------------------------------------|---------------------|---|
| 2005                         | 5,490,958               | 11,006,944                           | 49.9                | 5,515,986                                     |
| 2006                         | 6,093,822               | 10,704,892                           | 56.9                | 4,611,070                                     |
| 2007                         | 7,182,410               | 11,322,225                           | 63.4                | 4,139,815                                     |
| 2008                         | 6,925,601               | 12,155,294                           | 57.0                | 5,229,693                                     |
| 2009                         | 5,732,961               | 14,242,648                           | 40.3                | 8,509,687                                     |
| 2010                         | 5,632,552               | 14,529,430                           | 38.8                | 8,896,878                                     |
| 2011                         | 6,959,498               | 12,858,385                           | 54.1                | 5,898,887                                     |
| 2012                         | 6,694,416               | 13,228,181                           | 50.6                | 6,533,765                                     |
| 2013                         | 7,465,375               | 13,616,401                           | 54.8                | 6,151,026                                     |
| <b>2014</b>                  | <b>8,848,568</b>        | <b>14,002,853</b>                    | <b>63.2</b>         | <b>5,154,285</b>                              |



***Section Three:***

***Retirement Plan  
Benefit Provisions***

## **Benefit Provision Summary**

### **Effective Date**

July 1, 1978

### **Eligibility**

All employees are eligible after completing their probationary service.

### **Monthly Compensation**

Compensation includes regular base pay including longevity and incentive earnings.

### **Credited Service**

Service measured from the date of employment (or one year prior to completing probationary service, if later.)

### **Final Average Earnings**

Average of the highest three consecutive years of total Monthly Compensation in a ten year period prior to retirement or termination of employment.

### **Normal Retirement Benefit**

For retirements on or after June 1, 2000, a monthly benefit equal to 2.5% of Final Average Earnings multiplied by Credited Service for the first 20 years of Service, Plus 2% of Final Average Earnings multiplied by Credited Service in excess of 20 years subject to a maximum benefit of 75% of Final Average Earnings.

### **Normal Form**

The Normal Form of payment is a Life Annuity.

### **Normal Retirement Date**

All Members hired after June 30, 2007 must have at least 10 years of Credited Service or be at least 65 with 5 years of Credited Service in order to be able to retire  
Members who satisfy the previous sentence or who were hired before July 1, 2007 may retire in accordance with the following rules:  
A Member hired prior to July 1, 2012 may retire, with full benefits, on the earlier of his 55th birthday or upon completion of 20 years of Credited Service.  
A Member hired on or after July 1, 2012 may retire, with full benefits, upon the earlier of his 55th birthday or upon completion of 25 years of Credited Service.

### **Disability Retirement**

If the disability was duty-related, the benefit is 66 2/3% of Final Average Compensation.  
The non-duty-related Disability Benefit is 50% of final Compensation.

### **Pre-Retirement Death Benefit**

The Beneficiary of a Participant who dies shall receive a benefit of \$400 for each year of service, subject to a minimum of \$2000 and a maximum of \$8,000. After retirement, the benefit is reduced by 25% per year but not less than \$2,000.

**Vesting**

100% after 10 years.

**Pre-Retirement Death Benefit**

50% of Accrued Benefit at time of death payable to spouse until death or remarriage with additional benefits payable to surviving children under age 18 if no spouse survives.

**Employee Contributions**

10% of compensation

**Post-Retirement COLA**

Base Benefit increased 1% of the compensation each year for the position from which they retired. These increases are cumulative, not compounded.



*Section Four:*

***Actuarial Assumptions  
And Methods***

**Actuarial Assumptions**

**Economic Assumptions**

- (i) Interest Rate 7.5% (net of administration expenses paid by the Trust)
- (ii) Salary Increases 3.5%

**Demographic Assumptions**

- (i) Mortality RP 2000 Mortality Table for males and females.
- (ii) Disability Sample disability rates are as follows:

| Annual Rates of Disability |       |         |
|----------------------------|-------|---------|
| Age                        | Males | Females |
| 25                         | .03%  | .05%    |
| 30                         | .04   | .06     |
| 40                         | .07   | .10     |
| 50                         | .18   | .26     |
| 55                         | .36   | .49     |
| 60                         | .90   | 1.21    |

- (iii) Turnover None Assumed
- (iv) Retirement The rate is 50% at first eligibility, then the rate is 10% per year thereafter with 100% at age 55 (or first eligible if later.)
- (v) Marital Status 80% of participants are assumed to be married with males 3 years older than their female spouses.
- (vi) COLA adjustments 1.3% increase each year.
- (vii) Asset Value Assets are valued at market plus receivables.

## **Actuarial Method Used for the Valuation**

### **Normal Cost**

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

### **Financing of Unfunded Actuarial Accrued Liability**

The excess of actuarial accrued liabilities over accrued assets was amortized as a level percent-of-payroll and applied as a charge to the computed normal cost.

Active member payroll was assumed to increase at the salary increase rate for the purpose of determining the level percent-of-payroll full funding credit.

### **Uncertainty and risks with respect to the results, assumptions, methods, etc.**

The results presented in this report are based upon actuarial assumptions and methods, such as expected salary increases and expected plan asset returns that represent the expected experience for the Plan. If the actual experience of the Plan is different from what is assumed in the valuation, this can create volatility in the results including but not limited to the funded status of the Plan and the contribution recommendations.



***Section Five:***  
***Valuation Data***

## Summary of Asset Information Submitted for the Valuation

### Statement of Assets

As of July 1, 2014, the net market value of Pension Plan assets was reported to be \$8,848,568.

|  |             |
|--|-------------|
| Market Value of Assets as of July 1, 2013        | \$7,465,375 |
| a. Revenues                                      |             |
| (i) Member Contributions                         | \$166,440   |
| (ii) Employer Contributions                      | 825,000     |
| (iii) Investment Income (Net of investment fees) | 1,157,062   |
| b. Expenses                                      |             |
| (i) Benefits Paid                                | \$765,309   |
| Market Value of Assets as of July 1, 2014        | \$8,848,568 |

### Actuarial Value of Assets

The market value of assets was used for the July 1, 2014 valuation.

## Participant Summary

### Retirees Included in the Valuation

There were 26 retirees included in the valuation, with annual pensions totaling \$699,492. The breakdown by age division is as follows:

#### Retirees

| Age          | Number    | Average Annual Pensions |
|--------------|-----------|-------------------------|
| Under 40     |           |                         |
| 40-44        | 2         | 19,131                  |
| 45-49        | 4         | 32,057                  |
| 50-54        | 3         | 28,126                  |
| 55-59        | 1         | 33,947                  |
| 60-64        | 4         | 27,819                  |
| 65-69        | 5         | 26,736                  |
| 70-74        | 3         | 26,187                  |
| 75-79        | 1         | 20,003                  |
| Over 80      | 3         | 23,720                  |
| <b>Total</b> | <b>26</b> | <b>\$26,904</b>         |

**Active Members – Age and Service Distribution**

| Age          | Service  |          |           |          |          |          |         | Total     |
|--------------|----------|----------|-----------|----------|----------|----------|---------|-----------|
|              | 0 - 4    | 5 - 9    | 10 - 14   | 15 - 19  | 20 - 24  | 25 - 29  | Over 30 |           |
| 20 - 24      | 4        |          |           |          |          |          |         | 4         |
| 25 - 29      | 1        |          |           |          |          |          |         | 1         |
| 30 - 34      | 2        | 3        |           |          |          |          |         | 5         |
| 35 - 39      | 1        | 1        | 4         |          |          |          |         | 6         |
| 40 - 44      |          |          | 2         |          | 3        |          |         | 5         |
| 45 - 49      |          |          | 2         |          | 1        | 1        |         | 4         |
| 50 - 54      |          |          |           | 1        | 1        |          |         | 2         |
| 55 - 59      |          |          | 1         |          |          |          |         | 1         |
| 60 - 64      |          |          | 1         |          |          |          |         | 1         |
| 65+          | —        | —        | —         | —        | —        | —        | —       | —         |
| <b>Total</b> | <b>8</b> | <b>4</b> | <b>10</b> | <b>1</b> | <b>5</b> | <b>1</b> |         | <b>29</b> |

**Total Active Participant Information**

|                        | 2012      | 2013      | 2014      |
|------------------------|-----------|-----------|-----------|
| Active Members         | 26        | 25        | 29        |
| Valuation Payroll      | 1,473,196 | 1,448,086 | 1,454,719 |
| Average Compensation   | 56,661    | 57,923    | 50,163    |
| Average Age (yrs.)     | 39.3      | 40.8      | 39.5      |
| Average Service (yrs.) | 11.3      | 12.5      | 11.5      |

**Reconciliation With Prior Year**

|                              | Actives    | Retirees      |
|------------------------------|------------|---------------|
| July 1, 2013<br>Participants | 25         | 27            |
| Corrections                  |            |               |
| New Participants             | 6          |               |
| Returned to Active           |            |               |
| Retirements                  |            |               |
| Deaths                       |            | (1)           |
| New Beneficiaries            |            |               |
| Benefits Expire              |            |               |
| Terminations                 |            |               |
| - Vested                     |            |               |
| - Non-Vested                 |            |               |
| - Lump-Sums                  | <u>(2)</u> | <u>      </u> |
| July 1, 2014<br>Participants | 29         | 26            |
|                              |            |               |



***Section Six:***

***Accounting Disclosures***

**GASB Statement Nos. 67 and 68 Supplementary Information**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation as well as the previous 10 years (as available) follows:

| <b>Valuation Date<br/>June 30</b> | <b>Total Pension Liability</b> | <b>Plan Assets</b> | <b>Net Pension Liability</b> | <b>Percent Funded</b> | <b>Annual Covered Payroll</b> | <b>NPL As a % Of Covered Payroll</b> |
|-----------------------------------|--------------------------------|--------------------|------------------------------|-----------------------|-------------------------------|--------------------------------------|
| 2005                              | 11.007                         | 5.491              | 5.516                        | 49.9                  | 1.149                         | 479.9                                |
| 2006                              | 10.705                         | 6.094              | 4.611                        | 56.9                  | 1.275                         | 361.5                                |
| 2007                              | 11.322                         | 7.182              | 4.140                        | 63.4                  | 1.338                         | 309.4                                |
| 2008                              | 12.155                         | 6.926              | 5.230                        | 57.0                  | 1.512                         | 345.9                                |
| 2009                              | 14.243                         | 5.733              | 8.510                        | 40.3                  | 1.716                         | 495.9                                |
| 2010                              | 14.529                         | 5.633              | 8.897                        | 38.8                  | 1.762                         | 504.9                                |
| 2011                              | 12.858                         | 6.959              | 5.899                        | 54.1                  | 1.587                         | 371.6                                |
| 2012                              | 13.228                         | 6.694              | 6.534                        | 50.6                  | 1.473                         | 443.5                                |
| 2013                              | 13.616                         | 7.465              | 6.151                        | 54.8                  | 1.448                         | 424.8                                |
| <b>2014</b>                       | <b>14.003</b>                  | <b>8.849</b>       | <b>5.154</b>                 | <b>63.2%</b>          | <b>1.455</b>                  | <b>354.3%</b>                        |

Dollar amounts in millions.

**Schedule of Employer Contributions**

| <b>Year Ended<br/>June 30</b> | <b>Annual Recommended Contribution</b> | <b>Percent Contributed</b> |
|-------------------------------|--|----------------------------|
| 2006                          | 648,059                                | 100%                       |
| 2007                          | 647,343                                | 92%                        |
| 2008                          | 597,226                                | 100%                       |
| 2009                          | 711,225                                | 100%                       |
| 2010                          | 1,023,362                              | 0%                         |
| 2011                          | 1,067,884                              | 42%                        |
| 2012                          | 682,092                                | 81%                        |
| 2013                          | 590,573                                | 119%                       |
| 2014                          | 544,334                                | 152%                       |

\* Actual required contribution dollar amount will be based on the recommended contribution rate and the actual pensionable payroll for the period.

**Schedule of Changes in Net Pension Liability**

| <b>Year<br/>End<br/>June<br/>30</b> | <b>Beginning<br/>of Year<br/>Net<br/>Pension<br/>Liability</b> | <b>Service<br/>Cost</b> | <b>Interest<br/>Cost</b> | <b>Expected<br/>Return<br/>On Assets</b> | <b>Employer<br/>Contrib.</b> | <b>Employee<br/>Contrib.</b> | <b>Plan<br/>Changes</b> | <b>Assumption<br/>Changes</b> | <b>(Gain)/<br/>Loss</b> | <b>End<br/>of Year<br/>Net<br/>Pension<br/>Liability</b> | <b>Benefits<br/>Paid</b> |
|-------------------------------------|--|-------------------------|--------------------------|--|------------------------------|------------------------------|-------------------------|-------------------------------|-------------------------|--|--------------------------|
| 2013                                | 6,533,765  | 318,749                 | 989,770                  | (507,331)                                | (700,000)                    | (143,389)                    | -                       | -                             | (340,538)               | 6,151,026  | 733,907                  |
| 2014                                | 6,151,026  | 285,815                 | 1,016,416                | (595,528)                                | (825,000)                    | (166,440)                    | -                       | -                             | (712,004)               | 5,154,285  | 765,309                  |



***Section Seven:***

***Glossary of Terms***

## **Glossary of Terms**

### **Accrued Benefit**

The benefit earned by a participant payable in the form of a monthly benefit commencing at normal retirement age.

### **Actuarial Accrued Liability**

The actuarial present value of benefits earned as of the valuation date.

### **Actuarial Gain or Loss**

The difference between the plan's actual experience and expected experience based on the actuarial assumptions used in the valuation.

### **Actuarial Value of Assets**

The value of assets as determined by the actuary for the purpose of the valuation. This may or may not include a method of smoothing investment gains and losses over time.

### **Amortization**

The spreading of liabilities or costs over a period of years. A plan's unfunded actuarial accrued liability is amortized over a period of years.

### **Entry Age Normal Actuarial Cost Method**

An actuarial method for determining the annual normal cost and the actuarial accrued liability of a pension plan. Under this method, the annual normal cost is the level amount that would have to be contributed each year from the time each employee entered employment so that his pension will be fully funded by his assumed retirement age.

### **Normal Cost**

That portion of the actuarial present value of plan benefits and expenses allocated to the valuation year.

### **Present Value**

The value of a benefit payment or series of benefit payments determined as of the valuation date by the application of a particular set of actuarial assumptions. It is the single sum which reflects the time value of money (through discounts for investment yield) and the probabilities of payment (taking into account death, disability, withdrawal and age at retirement).

### **Unfunded Actuarial Accrued Liability**

The excess of the actuarial accrued liability over the actuarial value of assets.

### **Vested Benefit**

A benefit that is not forfeited if the participant leaves employment.