

October 23, 2013

The Board of Trustees
City of Tecumseh Employees Retirement System
Tecumseh, Michigan

Dear Board Members:

The purpose of the annual actuarial valuation of the City of Tecumseh Employees Retirement System as of June 30, 2013 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Retirement System,
- Compare accrued assets with accrued liabilities to assess the funded condition of the Retirement System, and
- Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2014.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. Data concerning active members, retirees, beneficiaries and assets was provided by the City. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation was based on the provisions of the Retirement System as of June 30, 2013. The actuarial assumptions used in this valuation represent reasonable expectations of future experience under the System. This valuation has been prepared under the supervision of a Member of the American Academy of Actuaries who meets the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Denise M. Jones
Senior Consultant



Sandra W. Rodwan
Member, American Academy of Actuaries

***City of Tecumseh
Employees Retirement System***

Actuarial Valuation as of June 30, 2013

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Section One:
Valuation Summary



Purpose of Valuation

The purpose of the annual actuarial valuation of the City of Tecumseh Employees Retirement System as of June 30, 2013 is to:

- ❖ Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Retirement System,
- ❖ Compare accrued assets with accrued liabilities to assess the funded condition of the Retirement System, and
- ❖ Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2014.

Liabilities and Funded Condition of Retirement System

Accrued liabilities of the Retirement System as of June 30, 2013 were computed to be \$21,831,342 for pensions and \$1,367,524 for Health Insurance. The funding value of accrued assets was \$18,000,577 for pensions and \$996,030 for Health Insurance. The ratio of the funding value of accrued assets to accrued liabilities was 82.5% for pensions and 72.8% for Health Insurance.

Funding Value of Assets

A smoothed market value of assets was used for the June 30, 2013 valuation. This method, which spreads the difference between actual and expected investment return over seven years, is the same as the method used for last year's valuation.

Computed City's Contribution Rate

The City's normal cost contribution rate was computed to be 13.93% for pensions and 1.19% for Health Insurance.

The City's total contribution rate was computed to be 23.78% for pensions and 2.18% for Health Insurance. This includes an amortization payment of 9.85% for pensions and 0.99% for Health Insurance.

Retirement System Experience

The aggregate experience of the Retirement System was more favorable than assumed during the year ended June 30, 2013. The primary source of the favorable experience was average salary increases which were less than assumed.

Assumption and Method Changes

There were no assumption and method changes included in this valuation.

Benefit Provision Changes

There were no benefit provision changes in this valuation.

Participant Data

| Active Members | 6/30/2013 | | 6/30/2012 | |
|-------------------------------|-----------|----------------|-----------|----------------|
| | Number | Payroll | Number | Payroll |
| General | 27 | \$1,496,909 | 26 | \$1,488,697 |
| Police/Fire | <u>16</u> | <u>849,688</u> | <u>15</u> | <u>810,419</u> |
| Total Active Members | 43 | \$2,346,597 | 41 | \$2,299,116 |
| Vested Inactives | 5 | \$46,842 | 6 | \$59,887 |
| Retirees and Survivors | 38 | \$994,867 | 39 | \$998,135 |

Financial Data

| | <u>06/30/2013</u> | <u>06/30/2012</u> |
|-------------------------|-------------------|-------------------|
| Funding Value of Assets | \$18,996,606 | \$18,407,082 |
| Market Value of Assets | 18,395,489 | 16,989,663 |

Conclusion

The City is funding Retirement System benefits as they accrue in accordance with a sound level percent of payroll funding objective.



Section Two:

***Actuarial Calculations –
Funding***



Computed Contribution Rates for The Year Beginning July 1, 2014

The contribution rates shown below are expressed as percents of active member payroll.

The normal cost can be viewed as the long-term on-going cost of the Retirement System. The unfunded actuarial accrued liability was amortized over 25 years. This is a 1 year decrease from the 26 year period used last year.

Contribution Recommendation:

| | <u>Percents of Payroll</u> | | |
|--------------------------------------|----------------------------|-------------------------|------------------|
| | <u>Pension</u> | <u>Health Insurance</u> | <u>Totals</u> |
| Normal Cost | | | |
| Regular Retirement | 15.93% | 0.86% | 16.79% |
| Pre-retirement Death | 0.36 | 0.02 | 0.38 |
| Disability | 0.00 | 0.00 | 0.00 |
| Withdrawal | <u>3.32</u> | <u>0.31</u> | <u>3.63</u> |
| Total Normal Cost | 19.61% | 1.19 | 20.80 |
| Unfunded Actuarial Accrued Liability | 9.85 | 0.99 | 10.84 |
| Total Computed Contribution | 29.46 | 2.18 | 31.64 |
| Member Portion | 5.68 | 0.00 | 5.68 |
| City's Net Contribution Rate | 23.78% | 2.18% | 25.96% |
| City's Dollar Contribution | \$600,657 | \$57,124 | \$657,781 |

Unfunded Actuarial Accrued Liability

| | <u>June 30, 2013</u> | | <u>June 30, 2012</u> | |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | <u>Pensions</u> | <u>Health Ins.</u> | <u>Pensions</u> | <u>Health Ins.</u> |
| Actuarial Accrued Liabilities | \$21,831,342 | \$1,367,524 | \$21,702,101 | \$1,381,158 |
| Assets Allocated to Funding | <u>18,000,577</u> | <u>996,030</u> | <u>17,575,432</u> | <u>831,649</u> |
| Unfunded Actuarial Accrued Liabilities | \$3,830,765 | \$371,494 | \$4,126,669 | \$549,509 |

Recommended City Contributions

| Valuation Date June 30 | Fiscal Year Beginning July 1 | Percent of Valuation Payroll | | Actual Dollar Contributions |
|-----------------------------------|---|-------------------------------------|--------------------|--|
| | | Pensions | Health Ins. | |
| 1985 | 1986 | 6.24% | 0.19% | \$60,466 |
| 1990* | 1991 | 0.19 | 0.00 | 0 |
| 1995 | 1996 | 4.55 | 2.41 | 111,820 |
| 1996** | 1997 | 13.82 | 1.81 | 299,016 |
| 1997 | 1998 | 13.86 | 1.71 | 328,411 |
| 1998 | 1999 | 13.58 | 1.67 | 322,432 |
| 1999* | 2000 | 13.64 | 1.48 | 343,918 |
| 2000* | 2001 | 14.54 | 1.53 | 376,667 |
| 2001 | 2002 | 14.58 | 1.42 | 403,989 |
| 2002* | 2003 | 16.37 | 1.58 | 456,833 |
| 2003 | 2004 | 18.10 | 1.74 | 519,020 |
| 2004 | 2005 | 19.30 | 1.75 | 552,123 |
| 2005# | 2006 | 18.79 | 2.25 | 563,908 |
| 2006 | 2007 | 18.87 | 2.22 | 587,740 |
| 2007 | 2008 | 18.61 | 2.23 | 596,477 |
| 2008* | 2009 | 21.11 | 2.23 | 590,354 |
| 2009 | 2010 | 18.16 | 2.39 | 525,812 |
| 2010 | 2011 | 21.98# | 2.46 | 489,751 |
| 2011# | 2012 | 22.75 | 1.79 | 564,664 |
| 2012 | 2013 | 24.49 | 2.57 | |
| 2013 | 2014 | 23.78 | 2.18 | |

*After retirement system amendments.

**Funding policy revised.

#Actuarial assumptions revised. The computed contribution for pensions in the 2010 valuation based on the revised assumptions was 18.57%.

History of Assets and Accrued Liabilities

| Valuation Date 6/30 | Valuation Assets | Actuarial Accrued Liabilities | Funded Ratio | Unfunded Actuarial Accrued Liabilities |
|----------------------------|-------------------------|--------------------------------------|---------------------|---|
| 1985 | \$2,476,128 | \$2,062,759 | 120.0% | \$(413,369) |
| 1990 | 4,038,160 | 2,611,543 | 154.6 | (1,426,617) |
| 1995 | 5,909,477 | 6,352,640 | 93.0 | 443,163 |
| 1996 | 6,183,251 | 6,688,771 | 92.4 | 505,520 |
| 1997 | 6,643,928 | 7,166,601 | 92.7 | 522,673 |
| 1998 | 7,429,870 | 7,784,434 | 95.4 | 354,564 |
| 1999 | 8,286,539 | 8,479,456 | 97.7 | 192,917 |
| 2000 | 9,497,499 | 9,623,399 | 98.7 | 125,900 |
| 2001 | 10,334,242 | 10,390,868 | 99.5 | 56,626 |
| 2002 | 10,796,391 | 11,476,620 | 94.1 | 680,229 |
| 2003 | 11,326,122 | 12,831,205 | 88.3 | 1,505,083 |
| 2004 | 11,735,749 | 13,832,854 | 84.8 | 2,097,105 |
| 2005 | 12,620,082 | 15,147,703 | 83.3 | 2,527,621 |
| 2006 | 13,802,018 | 16,463,083 | 83.8 | 2,661,065 |
| 2007 | 15,256,256 | 17,760,549 | 85.9 | 2,504,293 |
| 2008 | 16,335,367 | 19,283,287 | 84.7 | 2,947,920 |
| 2009 | 16,552,830 | 18,857,912 | 87.8 | 2,305,082 |
| 2010 | 16,782,939 | 20,265,978 | 82.8 | 3,483,039 |
| 2011 | 17,927,431 | 21,686,249 | 82.7 | 3,758,818 |
| 2012 | 18,407,082 | 23,083,259 | 79.7 | 4,676,177 |
| 2013 | 18,996,606 | 23,198,866 | 81.9 | 4,202,260 |

Results shown throughout this report for years prior to 2009 were prepared by the previous actuarial firm.

Actuarial Balance Sheet June 30, 2013**Actuarial Assets**

| | Pension | Health Insurance | Total |
|---|------------------|-----------------------------|------------------|
| Accrued Assets | | | |
| Assets from system's financial statements (market value) | \$17,430,977 | \$964,512 | \$18,395,489 |
| Funding value adjustment | <u>569,600</u> | <u>31,518</u> | <u>601,117</u> |
| Total accrued assets | 18,000,577 | 996,030 | 18,996,606 |
| Actuarial present value of expected future contributions | | | |
| For normal costs | 4,145,401 | 225,006 | 4,370,407 |
| For unfunded actuarial accrued liabilities | <u>3,830,765</u> | <u>371,494</u> | <u>4,202,260</u> |
| | 7,976,166 | 596,500 | 8,572,667 |
| Total Actuarial Present Value of Present and Expected Future Resources | \$25,976,743 | \$1,592,530 | \$27,569,273 |

Actuarial Present Values (Liability)

| | | | |
|---|------------------|----------------|------------------|
| To retirees and beneficiaries | \$12,408,135 | \$804,896 | \$13,213,031 |
| To vested terminated members | 570,425 | 113,893 | 684,318 |
| To active members | | | |
| Allocated to service rendered prior to valuation date | 8,852,782 | 448,735 | 9,301,517 |
| Allocated to service rendered after valuation date | <u>4,145,401</u> | <u>225,006</u> | <u>4,370,407</u> |
| Total Actuarial Present Value of Present and Expected Future Resources | \$25,976,743 | \$1,592,530 | \$27,569,273 |

Comments and Conclusion

Comment 1: The overall experience of the Retirement System was more favorable than assumed during the year ended June 30, 2013. The primary source of the favorable experience was average salary increases which were less than assumed.

Comment 2: The allocation of the funding value of assets between pensions and health is based on the reported allocation of the market value.

Comment 3: The Governmental Accounting Standards Board (GASB) Statements 43 and 45 concern financial reporting for “Other Post-Employment Benefits” (OPEB), which are non-pension benefits including retiree health benefits. Statement 43 applies to OPEB plans and Statement 45 applies to the plan sponsor.

In Section 6 of this Report, Accounting Disclosures, we have included information for GASB Statements 43 and 45. We have assumed for this purpose that assets considered in determining the unfunded actuarial accrued liability for OPEB meet the GASB Statements 43 and 45 requirements as follows: a) irrevocably held in a trust or equivalent arrangement, b) dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan, and c) legally protected from creditors of the employer or the plan.

Conclusion: The City is funding Retirement System benefits as they accrue in accordance with a sound level percent of payroll funding objective.



Section Three:

***Retirement System
Benefit Provisions***



Benefit Provision Summary

Regular Retirement

Members Hired Prior to July 1, 2011

Eligibility:

Non-Union and Operating Engineers: 30 years of service regardless of age or age 55 with 5 or more years of service.

Police and Fire: 25 years of service regardless of age or age 55 with 5 or more years of service.

Annual Benefit:

Non-Union and Operating Engineers: Straight life pension equals 2.5% of 3 year final average salary (FAS) times total service to a maximum of 80%.

Police and Fire: Straight life pension equals 2.75% of 3 year final average salary times total service to a maximum of 75%.

Members Hired After July 1, 2011

Eligibility:

Age 60 with 6 or more years of service.

Annual Benefit:

1.5% of 3 year final average salary of base salary only.

Deferred Retirement

Members Hired Prior to July 1, 2011

Eligibility:

5 or more years of service. Benefit begins upon attainment of age 55. Accumulated contributions remain in System.

Annual Benefit:

Computed as service retirement but based upon service, FAS at termination.

Members Hired After July 1, 2011

Eligibility:

6 or more years of service. Benefit begins upon attainment of age 60. Accumulated contributions remain in System.

Annual Benefit:

Computed as service retirement but based upon service, FAS at termination.

Duty Disability Retirement

Eligibility:

No age or service requirements. Must be eligible for worker's compensation benefits.

Annual Benefit:

Computed as a regular retirement with a minimum benefit of 16 2/3% of FAS.

Non-Duty Disability

Eligibility:

5 years of service. Disability must be approved by a medical committee.

Annual Benefit:

Computed as a regular retirement with a minimum benefit of 16 2/3% of FAS.

Duty Death in Service Survivors Pension

Eligibility:

25 years of service or age 55 with 5 years of service.

Annual Benefit:

Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor benefit.

Member Contributions

Members Hired Prior to July 1, 2011 -

Non-Union and Operating Engineers: 5.5% of pay

Police and Fire: 6.73% of pay.

Post-Retirement Increases

Members Hired Prior to July 1, 2011

Annual Benefit:

Each July 1, starting July 1, 1994, all pensioners who have been receiving pension benefits for at least one year will receive an increase. The increase will be equal to the increase in the CPI (but not more than 2.8%) multiplied by the member's current benefit.

Members Hired After July 1, 2011

None

Optional Benefits

Straight Life: Member receives an amount calculated in accordance with the formula for life. Benefits terminate upon member's death.

Option A: 100% joint and survivor benefit. Member receives an amount for his/her life which is calculated as a straight life benefit then actuarially reduced. If the member predeceases the named beneficiary, then the named beneficiary receives the same amount until his/he death. Benefits terminate when both the member and the named beneficiary have died.

Option B: 50% joint and survivor benefit. Member receives an amount for his/her life which is calculated as a straight life benefit then actuarially reduced. If the member predeceases the named beneficiary, then the named beneficiary receives 50% of what the member was receiving until his/he death. Benefits terminate when both the member and the named beneficiary have died.

Post-Retirement Health Benefits

Members Hired Prior to July 1, 2011

Eligibility: 5 or more years of service and age 55 for all members of the City of Tecumseh Employees Retirement System who have left active service, their eligible spouses and eligible surviving spouses.

An eligible spouse is the current spouse of the member who was married to the member on the date of retirement. An eligible surviving spouse is the person who was married to the member on both the date of retirement and the date of the member's death.

Annual Benefit: The lower of

- 1) a percentage of the health insurance premiums for the appropriate fiscal year (the percentage paid is based on accrued service at the time of retirement and is 5% per year of service up to 100%), or
- 2) the annual maximum for the appropriate fiscal year.

The annual maximum is increased annually each July 1 by the percentage increase in the CPI (but not more than 2.5%). For the 2010/2011 fiscal year, the annual maximum is \$1,782.90.

Retired members who waive post-retirement health benefits in any given year, retain the right to begin receiving benefits in future years.

Members Hired After July 1, 2011

None

Section Four:

***Actuarial Assumptions
And Methods***



Actuarial Assumptions

Economic Assumptions

- (i) **Interest Rate** 7.5% (net of expenses)

- (ii) **Salary Increases**
 - Across-the-Board 3.75%
 - Merit and Longevity Service-related rates

Sample Annual Rates of Salary Increase

| Service | Base | Promotion, Longevity | Total |
|----------------|-------------|---------------------------------|--------------|
| 1-5 | 3.75% | 4.20% | 7.95% |
| 6-10 | 3.75 | 2.50 | 6.25 |
| 11-15 | 3.75 | 2.00 | 5.75 |
| 20 and Over | 3.75 | 0.80 | 4.55 |

Demographic Assumptions

(i) Mortality

1971 Group Annuity Mortality Table projected to 2000, set back 0 years for males and 6 years for females.

| Sample Ages | Value of \$1 Monthly for Life | | Future Life Expectancy (Years) | |
|-------------|-------------------------------|-------|--------------------------------|-------|
| | Men | Women | Men | Women |
| 55 | \$164 | \$183 | 24.02 | 29.21 |
| 60 | 146 | 168 | 19.84 | 24.86 |
| 65 | 127 | 150 | 13.00 | 20.74 |
| 70 | 107 | 131 | 12.73 | 16.86 |
| 75 | 88 | 111 | 9.86 | 13.37 |
| 80 | 70 | 91 | 7.44 | 10.40 |

(ii) Disability

| Sample Ages | Percent Becoming Disabled Within Next Year | |
|-------------|--|-------|
| | Men | Women |
| 20 | 0.00% | 0.00% |
| 25 | 0.00 | 0.00 |
| 30 | 0.00 | 0.00 |
| 35 | 0.00 | 0.00 |
| 40 | 0.00 | 0.00 |
| 45 | 0.00 | 0.00 |
| 50 | 0.00 | 0.00 |
| 55 | 0.00 | 0.00 |
| 60 | 0.00 | 0.00 |
| 65 | 0.00 | 0.00 |

(iii) Termination of Employment

Service related rates for first 5 years of employment. Age related rates after first 5 years of employment

| Sample Ages | Years of Service | Members Separating Within the Year | | |
|-------------|------------------|------------------------------------|--------|--------|
| | | General Members | Police | Fire |
| ALL | 0 | 15.00% | 15.00% | 15.00% |
| | 1 | 17.00 | 17.00 | 17.00 |
| | 2 | 17.00 | 17.00 | 17.00 |
| | 3 | 15.00 | 15.00 | 15.00 |
| | 4 | 10.00 | 10.00 | 10.00 |
| | | | | |
| 25 | 5 & Over | 3.50 | 9.60 | 3.50 |
| 30 | | 3.50 | 8.35 | 3.50 |
| 35 | | 3.08 | 4.98 | 3.08 |
| 40 | | 2.80 | 0.98 | 2.80 |
| 45 | | 2.59 | 0.00 | 2.59 |
| | | | | |
| 50 | | 2.24 | 0.00 | 2.24 |
| 55 | | 0.00 | 0.00 | 0.00 |
| 60 | | 0.00 | 0.00 | 0.00 |

(iv) Retirement Rates

**Active Members Retiring within Year
Following Attainment of Indicated Retirement Age**

Age-related rates:

| Age Retiring | Percent Retiring | | |
|---------------------|-------------------------|---------------|-------------|
| | General | Police | Fire |
| 55 | 20% | 35% | 20% |
| 56 | 15 | 25 | 15 |
| 57 | 5 | 20 | 5 |
| 58 | 5 | 15 | 5 |
| 59 | 5 | 15 | 5 |
| | | | |
| 60 | 5 | 15 | 5 |
| 61 | 5 | 15 | 5 |
| 62 | 5 | 25 | 5 |
| 63 | 20 | 100 | 20 |
| 64 | 30 | 100 | 30 |
| | | | |
| 65 | 100 | 100 | 100 |

Service-related rates:

| Service | Percent Retiring | | |
|----------------|-------------------------|---------------|-------------|
| | General | Police | Fire |
| 25-29 | --% | 15% | --% |
| 30 | 30 | 15 | 30 |
| 31 | 30 | 15 | 30 |
| 32-40 | 15 | 15 | 15 |

An active member is eligible for retirement after attaining age 55 with 5 or more years of service or after attaining 30 years of service (25 years for Police).

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. Unfunded actuarial accrued liability was amortized as a level percent of payroll over 25 years, a decrease of 1 year from the 26 year period used for the June 30, 2012 annual valuation.

Active member payroll was assumed to increase 3.75% a year for the purpose of determining the level percent of payroll amortization payment.



Section Five:
Valuation Data



Summary of Asset Information Submitted for the Valuation

Revenues and Expenses for the Year Ended June 30, 2013

| | | |
|---|--|------------------|
| a. Revenues | | |
| Member Contributions | | \$134,563 |
| Employer Contributions | | 564,664 |
| Investment Income (Net of Expenses) | | <u>1,792,924</u> |
| Total Income | | 2,492,151 |
| b. Expenses | | |
| Pensions | | \$1,007,053 |
| Post-retirement health benefits paid | | 38,496 |
| Refunds | | 10,507 |
| Non-Investment Expenses | | <u>30,269</u> |
| Total Expenses | | 1,086,325 |
| Total revenues minus total expenditures | | \$1,405,826 |

Asset Reconciliation

| | |
|--|--------------|
| Market Value of Assets – June 30, 2012 | \$16,989,663 |
| Revenues | 2,492,151 |
| Expenditures | 1,086,325 |
| Adjustments | 0 |
| Market Value of Assets – June 30, 2013 | \$18,395,489 |

Asset Summary

As of June 30, 2013 the market value of assets was reported to be \$18,395,489. The gross funding value of assets (smoothed market value) was computed to be \$18,996,606.

Funding Value of Assets

| | June 30, <u>2012</u> | June 30, <u>2013</u> |
|---|---------------------------------|---------------------------------|
| 1. Beginning of Year Assets | | |
| a) Market Value | \$17,151,079 | \$16,989,663 |
| b) Valuation Assets | 17,927,431 | 18,407,082 |
| 2. End of Year Market Value of Assets | 16,989,663 | 18,395,489 |
| 3. Net Additions to Market Value | | |
| a) Non Investment Net Cash Flow | (377,242) | (361,079) |
| b) Net Investment Income = (3c) - (3a) | 215,826 | 1,766,905 |
| c) Total Additions to Market Value | (161,416) | 1,405,826 |
| 4. Average Valuation Assets = (1b) + .5 x (3a) | 17,738,810 | 18,226,542 |
| 5. Expected Income at Valuation Rate = 7.5% x (4) | 1,330,411 | 1,366,991 |
| 6. Investment Gain (Loss) = (3b) - (5) | (1,114,585) | 399,915 |
| 7. Phased Recognition | | |
| a) Current Year: (6) / 7 | (159,226) | 57,131 |
| b) First Prior Year | 193,861 | (159,226) |
| c) Second Prior Year | (6,964) | 193,861 |
| d) Third Prior Year | (402,855) | (6,964) |
| e) Fourth Prior Year | (149,572) | (402,855) |
| f) Fifth Prior Year | 51,239 | (149,572) |
| g) Sixth Prior Year | | 51,239 |
| h) Total Recognized Investment Gain/(Loss) | (473,518) | (416,387) |
| 8. Change in Valuation Assets | 479,651 | 589,525 |
| 9. End of Year Assets | | |
| a) Market Value = (2) | 16,989,663 | 18,395,489 |
| b) Valuation Assets = (1b) + (8) | 18,407,082 | 18,996,606 |
| c) Ratio of Market to Valuation Assets | 92% | 97% |
| 10. Recognized Rate of Return | 4.83% | 5.22% |
| 11. Market Rate of Return | 1.27% | 10.51% |

The smoothing period was increased to 7 years from 5 years in 2011.

Participant Summary

Retirees and Beneficiaries Included in the Valuation

There were 38 retirees and beneficiaries included in the valuation, with annual pensions totaling \$994,867.

During the year ended June 30, 2013, 1 member retired from the General Division. One member was removed from the General Division and one member was removed from the Police Fire Division.

Pensions Being Paid Historical Schedule

| Valuation Date June 30 | No. | Annual Pensions | Average Pension | Discounted Value of Pensions | |
|------------------------------|-----------|--------------------|--------------------|------------------------------|----------------|
| | | | | Total | Average |
| 1990 | 19 | \$87,126 | \$4,586 | \$874,217 | \$46,011 |
| 1995 | 20 | 197,343 | 9,867 | 2,059,541 | 108,397 |
| 1996 | 19 | 199,283 | 10,489 | 2,104,664 | 110,772 |
| 1997 | 19 | 212,276 | 11,172 | 2,199,538 | 115,765 |
| 1998 | 18 | 208,529 | 11,586 | 2,142,417 | 119,023 |
| 1999 | 16 | 200,509 | 12,532 | 2,075,890 | 129,743 |
| 2000 | 15 | 209,730 | 13,982 | 2,277,558 | 151,837 |
| 2001 | 17 | 250,989 | 14,764 | 2,710,700 | 159,453 |
| 2002 | 21 | 347,795 | 16,562 | 4,012,411 | 191,067 |
| 2003 | 22 | 364,052 | 16,548 | 4,472,218 | 203,283 |
| 2004 | 24 | 417,761 | 17,407 | 5,292,614 | 220,526 |
| 2005 | 25 | 480,909 | 19,236 | 6,083,679 | 243,347 |
| 2006 | 27 | 564,907 | 20,922 | 7,284,194 | 269,785 |
| 2007 | 28 | 598,492 | 21,375 | 7,637,188 | 272,757 |
| 2008 | 30 | 641,143 | 21,371 | 8,027,665 | 267,589 |
| 2009 | 31 | 704,827 | 22,736 | 8,476,467 | 273,434 |
| 2010 | 33 | 801,794 | 24,297 | 10,050,508 | 304,561 |
| 2011 | 38 | 934,922 | 24,603 | 11,850,694 | 311,860 |
| 2012 | 39 | 998,135 | 25,593 | 12,695,702 | 325,531 |
| 2013 | 38 | 994,867 | 26,181 | 12,408,135 | 326,530 |

Retired Members and Survivors – June 30, 2013**Summaries of Retired Members and Survivors
Tabulated by Attained Age of Recipient**

| Attained Age | Service Retirement | | Disability | | Totals | |
|-----------------|--------------------|--------------------|------------|--------------------|-----------|--------------------|
| | No. | Annual Pensions | No. | Annual Pensions | No. | Annual Pensions |
| 39 | | \$ - | 1 | \$24,422 | 1 | \$24,422 |
| 51 | 1 | 41,484 | | | 1 | 41,484 |
| 54 | 1 | 51,044 | | | 1 | 51,044 |
| 55 | 1 | 11,264 | | | 1 | 11,264 |
| 56 | 1 | 29,987 | | | 1 | 29,987 |
| 57 | 2 | 63,920 | | | 2 | 63,920 |
| 58 | 2 | 92,174 | | | 2 | 92,174 |
| 60 | 3 | 38,636 | | | 3 | 38,636 |
| 61 | 4 | 139,065 | | | 4 | 139,065 |
| 64 | 1 | 19,738 | | | 1 | 19,738 |
| 65 | 5 | 159,468 | | | 5 | 159,468 |
| 66 | 1 | 37,850 | | | 1 | 37,850 |
| 67 | 2 | 32,722 | | | 2 | 32,722 |
| 71 | 1 | 21,393 | | | 1 | 21,393 |
| 73 | 1 | 32,873 | | | 1 | 32,873 |
| 74 | 1 | 8,310 | | | 1 | 8,310 |
| 75 | 1 | 12,399 | | | 1 | 12,399 |
| 76 | 1 | 23,097 | | | 1 | 23,097 |
| 77 | 1 | 40,755 | | | 1 | 40,755 |
| 78 | 1 | 18,377 | | | 1 | 18,377 |
| 82 | 2 | 42,122 | 1 | 13,790 | 3 | 55,912 |
| 83 | | | 1 | 14,011 | 1 | 14,011 |
| 84 | 1 | 6,208 | | | 1 | 6,208 |
| 85 | 1 | 19,758 | | | 1 | 19,758 |
| Totals | 35 | \$942,644 | 3 | \$52,223 | 38 | \$994,867 |

Inactive Members – June 30, 2013**Summaries of Inactive Members
Tabulated by Attained Age of Recipient**

| Attained Age | No. | Est. Annual Benefits |
|-------------------------|------------|---------------------------------|
| 49 | 2 | \$24,691 |
| 53 | 1 | 9,707 |
| 54 | 1 | 7,627 |
| 55 | 1 | 4,817 |
| Totals | 5 | \$46,842 |

Active Member Summary

General Active Members as of June 30, 2013
Age and Service Distribution

| Attained Age | Service | | | | | | | No. | Totals |
|-----------------|----------|----------|----------|----------|----------|----------|----------|-----------|--------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 35-39 | | Payroll |
| 20-24 | 1 | | | | | | | 1 | \$46,893 |
| 30-34 | | 1 | | | | | | 1 | 47,413 |
| 35-39 | | 1 | | | | | | 1 | 312,871 |
| 40-44 | | | 4 | 1 | | | | 5 | 267,112 |
| 45-49 | | 2 | 2 | | 1 | | | 5 | 369,359 |
| 50-54 | 1 | 1 | 1 | 1 | 1 | 2 | | 7 | 316,561 |
| 55-59 | | 2 | 1 | 2 | | | | 5 | 103,649 |
| 60-64 | | | | | | 1 | 1 | 2 | 33,051 |
| Totals | 1 | 7 | 8 | 4 | 2 | 3 | 1 | 27 | \$1,496,909 |

Group Averages

Age: 48.4 years
Service: 15.4 years
Annual Pay: \$55,441

Police/Fire Active Members as of June 30, 2013
Age and Service Distribution

| Attained Age | Service | | | | | | Totals | |
|-----------------|----------|----------|----------|----------|----------|----------|-----------|------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | No. | Payroll |
| 30-34 | 1 | 1 | | | | | 2 | \$96,917 |
| 35-39 | | | 1 | 1 | | | 2 | 112,338 |
| 40-44 | | 2 | 2 | 2 | | | 6 | 319,505 |
| 45-49 | | | 1 | | | | 1 | 42,110 |
| 50-54 | | | | | 1 | 1 | 2 | 118,137 |
| 55-59 | | | | | | 2 | 2 | 116,827 |
| 60-64 | | | | | | 1 | 1 | 43,854 |
| Totals | 1 | 3 | 4 | 3 | 1 | 4 | 16 | \$849,688 |

Group Averages

Age: 44.6 years
Service: 15.8 years
Annual Pay: \$53,106

Active Members – Two -Year Summary

| | <u>2013</u> | | <u>2012</u> | |
|------------------------|----------------|--------------------|----------------|--------------------|
| | <u>General</u> | <u>Police/Fire</u> | <u>General</u> | <u>Police/Fire</u> |
| Active Members | 27 | 16 | 26 | 15 |
| Valuation Payroll | \$1,496,909 | \$849,688 | \$1,488,697 | \$810,419 |
| Average Compensation | \$55,441 | \$53,106 | \$57,258 | \$54,028 |
| Average Age (yrs.) | 48.4 | 44.6 | 48.0 | 44.6 |
| Average Service (yrs.) | 15.4 | 15.8 | 14.0 | 15.1 |



Section Six:
Accounting Disclosures



GASB Statements 25, 43 and 45 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 follows:

| | |
|---|----------------------------------|
| Valuation Date: | June 30, 2013 |
| Actuarial Cost Method: | Individual Entry Age |
| Amortization method: | Level percent of payroll, closed |
| Remaining amortization period for credit: | 25 years |
| Asset valuation method: | 7-year smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.50% |
| Projected salary increases* | 3.75%-7.95% |
| * Includes inflation at | 3.75% |

Membership data as of June 30, 2013 is indicated in Section Five of this report.

GASB Statement 25 Supplementary Information
Analysis of Funding Progress

| Valuation Date June 30 | (1) Funding Value of Assets | (2) Actuarial Accrued Liability | (3) Percent Funded (1)/(2) | (4) Unfunded AAL (2)-(1) | (5) Annual Covered Payroll | (6) UAAL As a % Of Covered Payroll |
|-----------------------------------|--|--|---|---|---|---|
| 2000 | \$9,497,499 | \$9,623,399 | 98.7% | \$125,900 | \$2,099,324 | 6.0% |
| 2001 | 10,344,242 | 10,390,868 | 99.5 | 56,626 | 2,235,223 | 2.5 |
| 2002 | 10,796,391 | 11,476,620 | 94.1 | 680,229 | 2,335,861 | 29.1 |
| 2003 | 11,326,122 | 12,831,205 | 88.3 | 1,505,083 | 2,474,789 | 60.8 |
| 2004 | 11,735,749 | 13,832,854 | 84.8 | 2,097,105 | 2,542,599 | 82.5 |
| 2005 | 12,620,082 | 15,147,703 | 83.3 | 2,527,621 | 2,602,453 | 97.1 |
| 2006 | 13,802,018 | 16,463,083 | 83.8 | 2,661,065 | 2,571,150 | 103.5 |
| 2007 | 15,256,256 | 17,760,549 | 85.9 | 2,504,293 | 2,734,958 | 91.6 |
| 2008 | 16,335,367 | 19,283,287 | 84.7 | 2,947,920 | 2,784,261 | 105.9 |
| 2009(a) | 16,552,830 | 18,857,912 | 87.8 | 2,305,082 | 2,862,258 | 80.5 |
| 2009(b) | 16,145,336 | 17,788,227 | 90.8 | 1,642,891 | 2,862,258 | 57.4 |
| 2010(b) | 16,278,508 | 19,151,492 | 85.0 | 2,872,984 | 2,607,673 | 110.2 |
| 2011(b) | 16,958,748 | 20,453,093 | 82.9 | 3,494,345 | 2,314,751 | 151.0 |
| 2012(b) | 17,575,432 | 21,702,101 | 81.0 | 4,126,669 | 2,299,116 | 179.5 |
| 2013(b) | 18,000,577 | 21,831,342 | 82.5 | 3,830,765 | 2,346,597 | 163.2 |

(a) Includes post-retirement health benefits, consistent with prior years.

(b) Excludes post-retirement health benefits. Refer to page 27 for GASB 43/45 Supplementary Information for post-retirement health benefits.

GASB Statement 25 Supplementary Information
Schedule of Employer Contributions

| Valuation Date June 30 | Fiscal Year Beginning July 1 | Computed Rates as Percents of Valuation Payroll | Computed Dollar Contribution Based on Projected Valuation Payroll |
|-----------------------------------|---|--|--|
| 2000 | 2001 | 16.07 | 355,903 |
| 2001 | 2002 | 16.00 | 377,315 |
| 2002 | 2003 | 17.95 | 442,296 |
| 2003 | 2004 | 19.84 | 518,105 |
| 2004 | 2005 | 21.05 | 579,971 |
| 2005 | 2006 | 21.04 | 587,029 |
| 2006 | 2007 | 21.09 | 594,993 |
| 2007 | 2008 | 20.84 | 625,398 |
| 2008 | 2009 | 23.34 | 713,048 |
| 2009(a) | 2010 | 20.55 | 649,392 |
| 2009(b) | 2010 | 18.16 | 570,338 |
| 2010(b) | 2011 | 21.98 | 628,911 |
| 2011(b) | 2012 | 22.75 | 566,842 |
| 2012(b) | 2013 | 24.49 | 606,074 |
| 2013(b) | 2014 | 23.78 | 600,657 |

- (a) *Includes post-retirement health benefits, consistent with prior years.*
- (b) *Excludes post-retirement health benefits. Refer to page 27 for GASB 43/45 Supplementary Information for post-retirement health benefits.*

GASB Statements 43/45 Supplementary Information – Post-Retirement Health Benefits**Analysis of Funding Progress**

| Valuation Date June 30 | (1) Funding Value of Assets | (2) Actuarial Accrued Liability | (3) Percent Funded (1)/(2) | (4) Unfunded AAL (2)-(1) | (5) Annual Covered Payroll | (6) UAAL As a % Of Covered Payroll |
|-----------------------------------|--|--|---|---|---|---|
| 2009 | \$407,494 | \$1,069,685 | 38.1% | \$662,191 | \$2,862,258 | 23.4% |
| 2010 | 504,431 | 1,114,486 | 45.3 | 610,055 | 2,607,673 | 23.4 |
| 2011 | 968,683 | 1,233,156 | 78.6 | 264,473 | 2,314,751 | 11.4 |
| 2012 | 831,649 | 1,381,158 | 60.2 | 549,509 | 2,299,116 | 23.9 |
| 2013 | 996,030 | 1,367,524 | 72.8 | 371,494 | 2,267,474 | 16.4 |

Schedule of Employer Contributions

| Valuation Date June 30 | Fiscal Year Beginning July 1 | Computed Rates as Percents of Valuation Payroll | Computed Dollar Contribution Based on Projected Valuation Payroll |
|-----------------------------------|---|--|--|
| 2009 | 2010 | 2.39% | \$79,054 |
| 2010 | 2011 | 2.46 | 74,132 |
| 2011 | 2012 | 1.79 | 47,882 |
| 2012 | 2013 | 2.57 | 68,283 |
| 2013 | 2014 | 2.18 | 57,124 |