

# Montgomery County Employees' Retirement System

Report on 2014 Actuarial Valuation Including  
Determination of County Actuarially Determined  
Contribution for 2014

HayGroup®



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for

**Montgomery County Employees' Retirement Board**

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Jason E. Salus	Treasurer

**June 24, 2014**

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## I. Introduction

The primary purpose of this report is to investigate and fully and fairly disclose the actuarial position of the Montgomery County Employees' Retirement System as of January 1, 2014 and to establish the proper appropriation for the 2014 plan year, in accordance with the funding standards of Section 6 of Act 96, 1971 of the Commonwealth of Pennsylvania as amended.

On the basis of the actuarial methods, assumptions and major plan provisions summarized in this report and in reliance on the member data and statement of the Fund's assets furnished by the County, to the best of our knowledge the information in this report is complete and accurate.

To the best of our knowledge, this report is complete and accurate and all costs and liabilities have been determined in conformance with generally accepted actuarial principles, Pennsylvania State Law, Act 44 and on the basis of actuarial assumptions and methods which are reasonable (taking into account past experience under the plan and reasonable expectations) and which represent our best estimate of anticipated experience under the plan.

Respectfully submitted,

### HayGroup

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Henry E. Stiehl  
Principal

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## II. Findings

### Certified Actuarially Determined Contribution

Please note that the certified actuarially determined contribution which is reported on page 13 of this report and which must be funded in 2014 is \$10,736,127. This amount is required to ensure that the fund accumulates sufficient assets to pay future benefits and should be paid by the County from the General Fund.

### Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 9 reflect the following transfers which are necessary to keep the balance in the Retired Member's Reserve Account equal to the liability for the retired lives and to reflect the difference between the amount of interest credited to the respective reserves and the interest rate assumed in the valuation of the liabilities. Please make these transfers in your records:

	DEBIT	CREDIT
County Annuity Reserve Account	\$ 8,289,815	
Retired Members Annuity Reserve Account		\$ 8,289,815

### III. Schedules

#### Schedule A

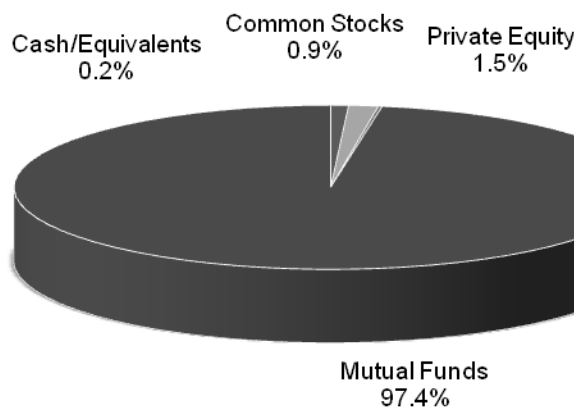
**Disclosure of Pension Information in Accordance with  
Statement No. 25, Statement No. 27 and Statement No. 50 of  
the Governmental Accounting Standards Board**

<b>MONTGOMERY COUNTY EMPLOYEES' RETIREMENT SYSTEM</b>			
<b>STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012</b>			
<b>Additions</b>			
		<u><b>2013 Total</b></u>	<u><b>2012 Total</b></u>
Contributions			
County	\$	3,382,872	\$ 0
Plan Members	\$	8,055,410	\$ 8,222,897
Total Contributions	\$	<u>11,438,282</u>	<u>\$ 8,222,897</u>
Investment Income			
Realized Gain	\$	12,070,168	
Unrealized Gain	\$	<u>9,599,076</u>	
Net Gain in Fair Value	\$	21,669,244	\$ 13,577,924
Interest	\$	1,220,224	\$ 5,308,226
Dividends	\$	9,264,905	\$ 7,476,035
Net Accrued Interest/Other	\$	38,410,897	\$ 15,388,936
Investment Income	\$	<u>70,565,270</u>	<u>\$ 41,751,121</u>
Less Investment Expense	\$	949,863	\$ 1,781,666
Net Investment Income	\$	<u>72,998,279</u>	<u>\$ 39,969,455</u>
Total Additions	\$	<u>81,053,689</u>	<u>\$ 48,192,352</u>
<b>Deductions</b>			
Benefits	\$	27,130,944	\$ 25,785,069
Refunds of Member Contributions	\$	1,886,508	\$ 1,452,225
Administrative Expense	\$	<u>301,479</u>	<u>\$ 319,945</u>
Total Deductions	\$	<u>29,318,931</u>	<u>\$ 27,557,239</u>
Net Increase/(Decrease)	\$	<u>51,734,758</u>	<u>\$ 20,635,113</u>
<b>Net Assets Held In Trust For Pension Benefits</b>			
Beginning of Year	\$	<u>445,391,593</u>	<u>\$ 424,756,480</u>
End of Year	\$	<u><u>497,126,351</u></u>	<u><u>445,391,593</u></u>

**Schedule A—Continued**

<b>MONTGOMERY EMPLOYEES' RETIREMENT SYSTEM</b>			
<b>STATEMENT OF PLAN ASSETS AS OF DECEMBER 31, 2013 AND 2012</b>			
<b>Assets</b>			
	<u>2013 Total</u>		<u>2012 Total</u>
Cash and Short-Term Investments	\$ 846,175	\$	24,943,930
Receivables	\$ 2,463	\$	1,343,750
Investments, at fair market value			
Government Obligations	\$ 0	\$	19,402,443
Corporate Bonds	\$ 0	\$	104,538,256
Common Stocks	\$ 4,463,241	\$	173,490,295
Mutual Funds	\$ 484,493,742	\$	115,920,677
Private Equity	\$ 7,261,557	\$	5,393,066
Venture Capital	\$ 59,173	\$	359,176
Total Investments	\$ 496,277,713	\$	419,103,913
Total Assets	\$ 497,126,351	\$	445,391,593
<b>Liabilities</b>			
Refunds Payable and Other	\$ 0	\$	0
<b>Net Assets Held In Trust For Pension Benefits</b>			
	\$ 497,126,351	\$	445,391,593

**TOTAL ASSETS (MARKET VALUE 12-31-2013)**





**Schedule A – Continued**

*Montgomery County Employees’ Retirement System*

**Notes to the Financial Statements for the Fiscal Year Ended December 31, 2013**

**Summary of Significant Accounting Policies**

**Basis of Accounting:** The Montgomery County Employees’ Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Method Used to Value Investments:** Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**Plan Descriptions and Contribution Information**

Membership of the plan consisted of the following as of December 31, 2013:

Retirees and Beneficiaries Receiving Benefits	1,819
Terminated Plan Members Entitled to but not yet Receiving Benefits	313
Active Plan Members	3,181
Total	5,313
Number of Participating Employers	1

## Schedule A--Continued

### Montgomery County Employees' Retirement System

**Plan Description:** The Montgomery County Employees' Retirement Plan is a single-employer defined benefit pension plan that covers all employees of the County. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Montgomery County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of this plan.

**Contributions:** Plan members are required to contribute 5% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

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#### REQUIRED SUPPLEMENTARY INFORMATION

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#### SCHEDULES OF EMPLOYER CONTRIBUTIONS

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Year	Annual Required Contribution	County Contribution
2005	\$ 2,747,435	\$ 2,747,435
2006	\$ 2,702,778	\$ 2,702,778
2007	\$ 2,145,964	\$ 2,145,964
2008	\$ 0	\$ 0
2009	\$ 8,155,676	\$ 0
2010	\$ 7,857,028	\$ 0
2011	\$ 9,318,649	\$ 0
2012	\$ 11,798,202	\$ 0
2013	\$ 11,000,294	\$ 3,382,872

*Note:* Effective in 2013 the Entry Age Funding Method was used to determine the annual required contribution. Prior to 2013 the Aggregate Method was used.

**Schedule A--Continued**

REQUIRED SUPPLEMENTARY INFORMATION						
SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	518,798,929	446,293,013	(72,505,916)	116.2%	147,553,545	(49.1%)
1/1/2009	482,051,491	486,610,195	4,558,704	99.1%	148,705,412	3.1%
1/1/2010	493,262,574	496,642,246	3,379,672	99.3%	149,574,431	2.3%
1/1/2011	504,064,625	516,305,160	12,240,535	97.6%	148,777,159	8.2%
1/1/2012	509,707,776	537,579,876	27,872,100	94.8%	150,976,368	18.5%
1/1/2013	520,848,719	564,498,672	43,649,953	92.3%	149,732,619	29.2%
1/1/2014	534,971,616	585,643,405	50,671,789	91.3%	147,264,187	34.4%

### Schedule A--Continued

#### NOTES TO THE REQUIRED SCHEDULES

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	12/31/2013
Actuarial Cost Method	Entry Age
Asset Valuation Method	The method that is prescribed by Pennsylvania State Law, Act 44 as described in Schedule M
Actuarial Assumptions:	
Investment Rate of Return *	7.5%
Projected Salary Increases *	3.5%
* Includes Inflation at	3%

#### ACCOUNTING PROCEDURES FOR CALCULATING - NET PENSION OBLIGATION (NPO)

(1) Year	(2) ARC	(3) Interest On NPO ***	(4) ARC Adjustment **	(5) Pension Cost (2+3+4)	(6) Contribution	(7) Change in NPO (5-6)	(8) NPO Balance * (BB+7)
2005	2,747,435	0	0	2,747,435	2,747,435	0	0
2006	2,702,778	0	0	2,702,778	2,702,778	0	0
2007	2,145,964	0	0	2,145,964	2,145,964	0	0
2008	0	0	0	0	0	0	0
2009	8,155,676	0	0	8,155,676	0	8,155,676	8,155,676
2010	7,857,028	611,676	1,073,944	7,394,760	0	7,394,760	15,550,436
2011	9,318,649	1,166,283	2,065,778	8,419,154	0	8,419,154	23,969,590
2012	11,798,202	1,797,719	3,230,247	10,365,674	0	10,365,674	34,335,264
2013	11,000,294	2,575,145	4,579,980	8,995,459	3,382,872	5,612,587	39,947,851

\* BB = Beginning balance for the year.

\*\* ARC Adjustment - Amortization factor based upon level percentage of projected payroll.

\*\*\* Interest on the balance of the NPO at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (7.5% when applicable).

### Schedule B

Schedule B shows the allocation of the assets among the Fund's reserve accounts (see Schedule I for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2014. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

<b>ASSETS</b>	
Members' Annuity Reserve Account	\$ 124,882,198
County Annuity Reserve Account	\$ 109,190,388
Retired Members' Reserve Account	\$ 226,233,367
Unrealized Appreciation of Assets	\$ 36,820,398
<i>Total Assets, (Market Value) of the Montgomery County Employees' Retirement Fund</i>	<i>\$ 497,126,351</i>
<b>LIABILITIES</b>	
Actuarial Present Value of:	
Accumulated Plan Benefits	
Vested participants (2,241)	\$ 137,212,093
Nonvested participants (940)	\$ 1,887,234
Future Benefit Accruals	\$ 124,149,096
Terminated Vested Benefits	\$ 16,838,741
Retired Benefits	\$ 226,233,367
Member Accumulated Deductions	\$ 124,882,198
<i>Total Liabilities of the Montgomery County Employees' Retirement Fund</i>	<i>\$ 631,202,729</i>

## Schedule C

### Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2014.

#### I. Unfunded Actuarial Liability January 1, 2014

1. Actuarial Liability:		
(a) Active Participants		
Retirement Benefits	\$	197,384,486
Termination Benefits		13,717,499
Death Benefits		6,587,114
Total	\$	217,689,099
(b) Terminated Vested Participants	\$	16,838,741
(c) Retired Members and Beneficiaries		
Retirement Benefits	\$	211,508,351
Cost-of-Living Benefits		14,725,016
Total	\$	226,233,367
(d) Member Accumulated Deductions	\$	124,882,198
(e) Total (a) + (b) + (c) + (d)	\$	585,643,405
2. Actuarial Value of Plan Assets (see page 15)	\$	534,971,616
3. Unfunded Actuarial Liability as of January 1, 2014: (1e) – (2)	\$	50,671,789

#### II. Normal Cost for 2014

1. Normal Cost for:		
(a) Retirement Benefits	\$	5,639,121
(b) Termination Benefits		729,935
(c) Death Benefits		198,273
(d) Normal Cost as of January 1, 2014	\$	6,567,329
(e) Normal Cost with interest to end of year: (d) x 1.075	\$	7,059,879

## Schedule D

### Actuarial Gain(Loss) for One Year Period Ending December 31, 2013

Schedule D shows the development of the actuarial gain (loss) for the 2013 plan year.

1.	Unfunded Actuarial Liability as of January 1, 2013	\$ 43,649,953
2.	Normal Cost as of January 1, 2013	6,794,789
3.	Interest at 7.50% Per Year to December 31, 2013 on (1) and (2)	3,783,356
4.	Employer Contributions for the 2013 Plan Year	3,382,872
5.	Change in Unfunded Actuarial Liability Due to Cost of Living Increase to Retirees	0
6.	Change in Unfunded Actuarial Liability Due to Change in Assumptions	0
7.	Expected Unfunded Actuarial Liability as of January 1, 2014: (1) + (2) + (3) - (4) + (5) + (6)	50,845,226
8.	Unfunded Actuarial Liability as of January 1, 2014	50,671,789
9.	Actuarial Gain (Loss) for 2013 Plan Year: (7) – (8)	173,437

## Schedule E

### Amortization Schedule

Schedule E provides a record of the amortization amounts. Actuarial gains (losses) will be amortized over 15 years from the date determined; increases or decreases created by pension plan establishing an unfunded actuarial accrued liability will be amortized over 30 years from the effective establishment date; increases or decreases created by a modification in the benefit plan applicable to active members will be amortized over 20 years beginning with the January 1<sup>st</sup> coinciding with or next following the effective date of change; increases or decreases created by a modification in the benefit plan applicable to retired members will be amortized over 10 years beginning with the January 1<sup>st</sup> coinciding with or next following the effective date of change; increases in actuarial accrued liability attributable to the special early retirement provision will be amortized over 5 years beginning with the January 1<sup>st</sup> coinciding with or next following the end of the early retirement period; and increases or decreases created by changes in actuarial assumptions will be amortized over 15 years from the effective date of change; resetting the unfunded actuarial liability (UAL) due to outstanding balance becoming negative will be amortized over 15 years beginning with the January 1<sup>st</sup> coinciding with or next following when the outstanding balance becomes negative. When resetting, any previous charges or credits will be considered paid off and eliminated.

### Amortization Record for 2014

		As of January 1, 2014				
		<u>Initial Amount</u>	<u>Effective Date</u>	<u>Remaining Period</u>	<u>Outstanding Balance</u>	<u>Amortization Charge or (Credit)</u>
Amortization of Liability for:						
(a)	Initial UAAL	\$ 43,649,953	1/1/2013	29 Years	\$43,227,804	\$3,695,896
(b)	Experience gain	(173,437)	1/1/2014	15 Years	<u>(173,437)</u>	<u>(19,648)</u>
(c)	Total				\$43,054,367	\$3,676,248



### **Schedule F**

Schedule F determines the certified actuarially determined contribution of \$10,736,127 for 2014 for the Montgomery County Employees' Retirement System.

1.	Total Amortization Charge/(Credit) (page 12 (c))	\$ 3,676,248
2.	Normal Cost with interest to end of year (page 10 II 1(e))	\$ 7,059,879
3.	Total Funding Requirement for 2014 (actuarially determined contribution for 2014): (1) + (2), but not less than 0	\$ 10,736,127

**Notes:**

The actuarially determined contribution for 2014 as a percentage of the estimated 2014 compensation (\$147,264,187) for active members is 7.29%.

The equivalent normal cost accrual rate to be applied to actual 2013 salaries to determine reimbursable expenses is 7.55%.

## **Schedule G**

The following are notes to Schedules B and I:

### **Members' Annuity Reserve Account**

The balance of \$124,882,198 in this account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of January 1, 2014. Since these accumulations represent the present value as of January 1, 2014, of future benefits, the reserve balance and liability are identical.

### **County Annuity Reserve Account**

The balance of \$112,573,260 in this account as of January 1, 2014 and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the county's share of the retirement allowances.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County Annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County Annuities actually entered upon.

### **Retired Members' Reserve Account**

This is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid.

The assets allocated to this reserve account as of January 1, 2014 amount to \$226,233,367. The corresponding liability for those annuitants on the roll is identical.

### Schedule G--Continued

#### Adjustment for Market Value Fluctuation

In order to reduce the fluctuations in the County normal cost which can result from full recognition of the unrealized appreciation or depreciation of the Fund's securities each year, the value of assets used to determine costs was determined as prescribed by the Pennsylvania State Law, Act 44 by using the greater of the market value of assets as of the valuation date and adjusting the actuarial value of assets as of the prior valuation date: increased by contributions and other deposits except investment income; decreased by benefit payments and administrative expenses or other payments; and credited with interest at 1% less than the plan's assumed rate to the valuation date. The actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the market value of assets as of the valuation date.

1. Actuarial Value of Assets as of 1/1/2013	\$	520,848,719
2. Contributions and Other Deposits Except Investment Income	\$	8,055,410
3. Benefit Payments and Administrative Expenses or Other Payments	\$	30,268,794
4. Interest at 1% less than the plan's assumed rate to the valuation date 2013: $0.065 \times [(1) + 0 \times (2) - 11/24 \times (3)]$	\$	32,953,409
5. Preliminary Actuarial Value of Assets: $(1) + (2) - (3) + (4)$	\$	534,971,616
6. Market Value of Assets as of 1/1/2014	\$	497,126,351
7. 80% of Market Value: $.8 \times (6)$	\$	397,701,081
8. 120% of Market Value: $1.2 \times (6)$	\$	596,551,621
9. Actuarial Value of Assets as of 1/1/2014: Greater of (5) and (6) but not less than (7) nor more than (8)	\$	534,971,616

### Schedule H

APPROXIMATE RATE OF RETURN FOR 2013 PLAN YEAR			
		<u>Actuarial Value</u>	<u>Market Value</u>
1. Value as of December 31, 2012	\$	520,848,719	\$ 445,391,593
2. Contributions Received During Year	\$	11,438,282	\$ 11,438,282
3. Benefits and Expenses Paid During Year	\$	30,268,794	\$ 30,268,794
4. Value as of December 31, 2013	\$	534,971,616	\$ 497,126,351
5. Non-Investment Increment: (2) - (3)	\$	(18,830,512)	\$ (18,830,512)
6. Investment Increment: (4) - (1) - (5)	\$	32,953,409	\$ 70,565,270
7. Time Weighted Value of Assets: (1) + .5 x (5)	\$	511,433,463	\$ 435,976,337
8. Approximate Rate of Return for 2013: (6) / (7)		6.44%	16.19%

### HISTORY OF RATE OF RETURNS

<u>Plan Year</u>	<u>Actuarial Value Rate of Return</u>	<u>Market Value Rate of Return</u>
2012	6.46%	10.08%
2011	5.14%	1.38%
2010	6.46%	10.43%
2009	6.46%	18.04%
2008	(3.14%)	(19.06%)
2007		4.92%
2006		10.44%
2005		5.74%
2004		8.90%
Five Year Average (2009 - 2013):	6.19%	11.07%
Ten Year Average (2004 - 2013):		6.20%

## Schedule I

### Determination of Reserve Balances

	M.A.R.A.	C.A.R.A.	R.M.R.A.	TOTAL
Balance 1/1/2013	\$ 122,892,175	\$ 89,897,053	\$ 208,763,915	\$ 421,553,143
County Appropriations		3,382,872		3,382,872
Member Contributions	8,049,943			8,049,943
Member Purchases		5,467		5,467
Net Investment Income		60,966,194		60,966,194
Investment Expenses		(949,863)		(949,863)
Member Contributions Refunded	(1,886,508)			(1,886,508)
Pension Payments			(26,288,203)	(26,288,203)
Death Benefits			(842,741)	(842,741)
Retiree and Death Benefit Transfers	(9,014,758)	(18,929,010)	27,943,768	0
Administrative Expenses		(301,479)		(301,479)
Balance Before Interest	120,040,852	134,071,234	209,576,739	463,688,825
Interest Allocated in 2013	4,841,346	(13,208,159)	8,366,813	
Balance Before Actuarial Adjustments	124,882,198	120,863,075	217,943,552	463,688,825
Actuarial Adjustments		(8,289,815)	8,289,815	
Ending Balance 12/31/2013	124,882,198	112,573,260	226,233,367	463,688,825
Unrealized Appreciation				33,437,526
Total Assets (12/31/2013) (Market Value)				497,126,351

## Schedule J

### Membership History

Below is a ten-year history of the Retirement System's membership.

ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS				RETIRED MEMBERS AND BENEFICIARIES		
January 1	Male	Female	Total	Male	Female	Total
2014	1,410	2,084	3,494	699	1,120	1,819
2013	1,420	2,136	3,556	664	1,066	1,730
2012	1,417	2,150	3,567	629	1,031	1,660
2011	1,375	2,137	3,512	629	1,001	1,630
2010	1,356	2,153	3,509	624	978	1,602
2009	1,358	2,185	3,543	633	974	1,607
2008	1,382	2,174	3,556	521	833	1,354
2007	1,378	2,158	3,536	501	801	1,302
2006	1,383	2,183	3,566	486	778	1,264
2005	1,402	2,153	3,555	477	754	1,231

## Schedule K

### Changes in Plan Participation From January 1, 2013 to January 1, 2014

<b>ACTIVE PARTICIPANTS</b>		
Number as of January 1, 2013		3,276
Changes During Plan Year:		
Retired	(-)	112
Terminated and Vested	(-)	64
Terminated	(-)	227
Died	(-)	1
New Participants	(+)	309
Number as of January 1, 2014		3,181

<b>RETIRED PARTICIPANTS</b>		
Number as of January 1, 2013		1,730
Changes During Plan Year:		
Returned to Active Service	(-)	0
Died	(-)	61
New Retirements from Active Service	(+)	112
New Surviving Annuitants	(+)	10
Vested Terminated Participants Whose Benefits Commenced	(+)	27
Additions	(+)	1
Number as of January 1, 2014		1,819

<b>TERMINATED VESTED PARTICIPANTS</b>		
Number as of January 1, 2013		280
Changes During Plan Year:		
Terminated	(-)	1
Benefits Commenced	(-)	27
Died	(-)	3
New Termination's with Vesting	(+)	64
Number as of January 1, 2014		313

## Schedule L

### Age, Service and Average Salary Profile of the Active Members on January 1, 2014.

MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2014									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	4	0	0	0	0	0	0	4	\$ 25,791
20-24	48	5	0	0	0	0	0	53	\$ 35,049
25-29	94	58	5	0	0	0	0	157	\$ 40,643
30-34	50	69	39	1	0	0	0	159	\$ 44,808
35-39	26	29	51	26	1	0	0	133	\$ 48,665
40-44	25	22	30	38	16	3	0	134	\$ 53,106
45-49	25	23	22	21	23	33	3	150	\$ 58,689
50-54	25	15	16	21	17	34	16	144	\$ 57,823
55-59	26	23	26	12	15	14	31	147	\$ 51,443
60-64	10	27	17	16	13	12	18	113	\$ 52,443
65 +	12	29	33	10	12	6	7	109	\$ 43,857
<b>Total</b>	<b>345</b>	<b>300</b>	<b>239</b>	<b>145</b>	<b>97</b>	<b>102</b>	<b>75</b>	<b>1,303</b>	<b>\$ 49,465</b>

Average Age:                   45.04  
Average Service:           11.92

FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2014									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	0	0	0	0	0	0	0	0	\$ 0
20-24	65	14	0	0	0	0	0	79	\$ 35,624
25-29	117	57	5	0	0	0	0	179	\$ 39,377
30-34	64	68	40	9	0	0	0	181	\$ 40,229
35-39	40	37	51	27	0	0	0	155	\$ 43,363
40-44	37	50	36	41	22	6	0	192	\$ 43,791
45-49	38	37	31	32	34	30	5	207	\$ 47,659
50-54	46	51	57	31	31	39	33	288	\$ 47,070
55-59	38	48	64	39	35	23	41	288	\$ 46,483
60-64	7	39	29	39	27	22	20	183	\$ 46,573
65 +	6	26	31	18	25	14	6	126	\$ 42,287
<b>Total</b>	<b>458</b>	<b>427</b>	<b>344</b>	<b>236</b>	<b>174</b>	<b>134</b>	<b>105</b>	<b>1,878</b>	<b>\$ 44,161</b>

Average Age:                   46.42  
Average Service:           12.34



## Schedule M

### Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2014.

#### Actuarial Assumptions

**Mortality Rates:** 2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement.

**Withdrawal Rates:** Members not eligible to retire are assumed to terminate employment in accordance with a percentage of the withdrawal rates set forth in Table T-7 of the Actuary's Handbook. The applicable percentage depends on the member's years of service as follows:

YEARS OF SERVICE	PERCENTAGE
less than 1	300%
1 but less than 2	275%
2 but less than 3	250%
3 but less than 4	225%
4 but less than 5	200%
5 but less than 6	175%
6 or more	100%

It is further assumed that a percentage of members who terminate after having met the Plan's five year vesting requirement will elect an immediate refund of their own contributions with interest thus forfeiting the County -- provided pension. The applicable percentage is 100% for termination ages up to age 30. After age 30 the applicable percentage is determined as 100% less (age - 30) x 3 1/3%. Illustrative percentages are as follows:

AGE	PERCENTAGE
30 or less	100.0%
35	83.3%
40	66.7%
45	50.0%
50	33.3%
55	16.7%

### Schedule M--Continued

The following tables set forth illustrative withdrawal rates as determined in accordance with the methodology described on the previous page.

#### Probability of Withdrawing During Year:

LESS THAN FIVE YEARS OF SERVICE					
Age at Hire	Years of Service				
	0	1	2	3	4
20	.2982	.2720	.2460	.2202	.1947
30	.2791	.2532	.2275	.2021	.1770
40	.2326	.2067	.1814	.1570	.1335
50	.1267	.1013	.0781	.0577	.0407
59	.0086	-	-	-	-

FIVE OR MORE YEARS OF SERVICE		
Age at Beginning of Year	Probability of Withdrawing and Forfeiting County Pension	Probability of Withdrawing and Retaining County Pension
30	.0930	.0000
40	.0517	.0258
50	.0141	.0281
59	.0001	.0028

### **Schedule M--Continued**

**Retirement Rates:**

Members eligible to retire are assumed to retire in accordance with the following rates:

AGE AT BEGINNING OF YEAR	PROBABILITY OF RETIRING DURING YEAR
55-59	.07
60-61	.08
62-64	.15
65	.34
66-70	.23
71-79	.21
80	1.00

**Disability Rates**

Disability rates are not used.

**Investment Return**

7.5% per annum, compounded annually.

**Salary Increases**

3.5% per annum.

**Valuation Assets**

The asset method that is prescribed by Pennsylvania State Law, Act 44, which is the greater of the market value of assets as of the valuation date and the actuarial value of assets as of the prior valuation date plus contributions and other deposits except investment income minus benefit payments and administrative expenses or other payments plus credited interest at 1% less than the plan's assumed rate to the valuation date. The actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the market value of assets as of the valuation date.

**Administrative Expenses**

Assumed to be paid from the County's general fund and not from plan assets. However, administrative expenses may from year to year be paid from the fund unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund.

**Actuarial Cost Method**

The actuarial cost method used to determine the plan's funding requirements is the entry age normal method. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund between entry age and assumed exit age the actuarial present value of projected benefits for each active participant under the assumed retirement age.

## Schedule N

### Summary of Plan Provisions

- 1. Effective Date** The effective date of this plan is January 1, 1938.
- 2. Eligibility for Plan Membership** An employee shall be eligible to become a participant immediately upon becoming an employee.
- 3. Accrued Benefit** The Retirement Board has authorized benefits equal to a percentage of the members Final Average Salary for each year of service the member has participated in the following Classes:

<u>CLASS</u>	<u>PERCENTAGE</u>	<u>EFFECTIVE</u>
1/120	0.833%	01/01/1938
1/100	1.000%	01/01/1953
1/80	1.250%	01/01/1963
1/60	1.667%	07/01/1993

- 4. Normal Retirement (Superannuation)** *Eligibility:* Retirement occurs at age 60 or at age 55 if the participant has completed 20 years of service.

*Pension:* A monthly pension equal to (a) and (b), as follows:

- (a) 0.833% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/120 Class,
- 1.000% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/100 Class,
- 1.250% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/80 Class,
- 1.667% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/60 Class,

PLUS

- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

## ***Schedule N--Continued***

- 5. Final “Average” Salary**      The average of the member’s annual compensation received for the three years which produce the highest such average.
- 6. Compensation**                      Pick-up contributions plus remuneration received as a county employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.
- 7. Early Retirement**                      ***Eligibility:***
- Voluntary:*** Upon completion of 20 years of service.
- Involuntary:*** Upon completion of 8 years of service.
- Pension:***
- (a) a monthly pension equal to the actuarial equivalent of the benefits calculated in 4(a),
- PLUS
- (b) a monthly annuity based on the actuarial equivalent of the member’s accumulated contributions with credited interest.
- 8. Vesting**                                      One Hundred Percent (100%) upon completion of five years of credited service. A member who terminates employment after five years of credited service will receive a deferred annuity commencing at age 60 (or at age 55 if the member has at least 20 years of service at termination). The deferred benefit shall be calculated using the normal retirement pension formula but based on credited service, final average salary and accumulated contributions at termination.
- If a member terminates employment prior to entitlement to Plan benefits, he will receive his accumulated contributions with interest.
- 9. Postponed Retirement**                      A member may work past normal retirement age and continue to accrue pension credits.

## **Schedule N--Continued**

### **10. Disability Retirement**

**Eligibility:** Total and permanent disability prior to Superannuation (Normal Retirement) age and after completion of five years of credited service.

**Pension:** A total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

### **11. Normal Form of Pension**

Benefits are payable in the form of a modified cash refund life annuity, that is for the member's lifetime only, except that disability benefits shall cease upon cessation of disability.

### **12. Optional Retirement Benefits**

A member may elect to receive the actuarial equivalent of his retirement benefit as a full cash refund annuity (Option One) or a reduced joint and survivor pension payable for the remainder of his life, with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive, in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the county.

### **13. Death Benefits**

(a) Pre-Retirement. If a member dies after having attained age 60 or having completed ten years of credited service, his beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated in (7a) based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

(b) Post-Retirement. Upon the death of a terminated or retired member, his beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

**Schedule N--Continued**

**14. Employee Contributions**

The Retirement Board has authorized each member of the retirement system to individually elect to contribute between 5% and 15% of his salary.

**15. Deposit Administrator**

Investment Managers:  
SEI Private Trust  
Vanguard Advisors

Custodian:  
Wells Fargo Bank

Investment Consultants:  
SEI Private Trust

**16. Administration**

Retirement Board as designated in Act 96 of 1971, the County Pension Law.

**17. Cost-of-Living**

The cost-of-living increase shall be reviewed at least once in every three years by the Retirement Board. The Board has granted cost-of-living increases eighteen times in the past from January, 1972 through January, 1999 and since then as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
100%	1/1/2000
100%	1/1/2001
100%	1/1/2002
100%	1/1/2003
100%	1/1/2004
100%	1/1/2005
100%	1/1/2006
100%	1/1/2007
100%	1/1/2008
95%	1/1/2009

**18. Early Retirement Provision**

The Retirement Board has authorized the following Early Retirement Provisions:

<u>Percent of Additional Service</u>	<u>Early Retirement Period</u>
15%	2/1/95 - 12/31/95
20%	2/1/00 - 12/31/00
20%	1/1/08 - 06/30/08

## Schedule O

### Historical Trend Information

REVENUES BY SOURCE						
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total	
2004	\$ 7,283,783	\$ 0	\$ 29,328,853	\$ 0	\$ 36,612,636	
2005	7,453,024	2,747,435	28,661,412	29,022	38,890,893	
2006	7,723,760	2,702,778	32,549,004	50,884	43,026,426	
2007	8,057,607	2,145,964	60,906,377	15,231,429	86,341,377	
2008	8,279,585	0	(14,457,452)	0	(6,177,867)	
2009	8,222,947	0	(10,403,277)	0	(2,180,330)	
2010	8,041,279	0	20,985,355	0	29,026,634	
2011	8,148,652	0	28,383,823	0	36,532,475	
2012	8,222,897	0	38,956,525	0	47,179,422	
2013	8,055,410	3,382,872	60,966,194	0	72,404,476	

EXPENSES BY TYPE					
Fiscal Year	Benefits	Refunds	Administrative/ Miscellaneous	Total	
2004	\$ 12,795,967	\$ 1,640,468	\$ 1,759,454	\$ 16,195,889	
2005	13,691,498	1,207,837	1,918,990	16,818,325	
2006	13,708,197	1,646,229	2,036,243	17,390,669	
2007	16,796,419	1,997,474	2,546,038	21,339,931	
2008	25,241,628	1,602,316	2,230,391	29,074,335	
2009	24,044,688	1,271,291	2,209,211	27,525,190	
2010	24,869,935	1,499,868	2,083,812	28,453,615	
2011	24,589,236	1,318,192	2,007,772	27,915,200	
2012	25,785,069	1,452,225	2,101,611	29,338,905	
2013	27,130,944	1,886,508	1,251,342	30,268,794	