

March 14, 2013

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

Dear Board Members:

The purpose of the annual actuarial valuation of the City of Roseville Employees Retirement System as of June 30, 2012 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, 2013.

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 amended through June 30, 2012. The actuarial assumptions used in this valuation are reasonably related to the past experience of the System and represent reasonable expectations of future experience under the System. This report was prepared under the direction of a member of the American Academy of Actuaries who meets the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Denise M. Jones
Senior Consultant



Sandra W. Rodwan
Member, American Academy of Actuaries

***City of Roseville
Employees Retirement System***

Actuarial Valuation as of June 30, 2012

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Section One:
Valuation Summary



Purpose of Valuation

The purpose of the annual actuarial valuation of the City of Roseville Employees Retirement System as of June 30, 2012 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, 2013.

Liabilities and Funded Condition of Retirement System

Accrued liabilities of the Retirement System as of June 30, 2012 were computed to be \$177,577,714. The funding value of accrued assets was \$121,682,335. The ratio of the funding value of accrued assets to accrued liabilities was 68.5%.

Funding Value of Assets

A smoothed market value of assets was used for the June 30, 2012 valuation. This method, which spreads the difference between actual and expected investment return over four 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 7.48% for General members and 16.37% for Police and Fire members payroll.

The City's total contribution rate was computed to be 31.66% for General members and 40.55% for Police and Fire members. This includes an amortization payment of 24.18% for General members and Police and Fire members.

Retirement System Experience

The aggregate experience of the Retirement System was less favorable than assumed during the year ended June 30, 2012. The primary sources of the unfavorable experience were i) the recognized rate of investment return on the funding (smoothed market) value of assets which was less than assumed and ii) the rate of retirements. This experience was partially offset by salary increases which were less than the long-term assumption.

Assumption and Method Changes

There were no changes in assumptions or actuarial cost methods used for the valuation.

Benefit Provision Changes

The following benefit provision changes were included in this valuation:

Effective July 1, 2012

Supervisors, Clerical and Court Clerks benefit multiplier decreased from 2.5% to 2.0% of FAC. The multiplier for years of service accrued prior to July 1, 2012 is 2.5%.

Local 520 members hired after July 1, 2012 benefit formula multiplier is 1.5%. Local 520 members hired prior to July 1, 2012 benefit multiplier is 2.0% for service rendered after July 1, 2012. The multiplier for service rendered prior to July 1, 2012 is 2.8%. Compensation included in their Final Average Compensation does not need to be consecutive years.

Court Clerks – post retirement cost-of-living increases were reduced from 10% every 5 years up to 10 years to 5% every 5 years up to 10 years.

Supervisors, Clerical and Local 520 – post-retirement cost-of-living increases were reduced from 10% every 5 years up to 15 years to 5% every 5 years up to 15 years.

Member contributions were temporarily increased from 6.5% for General members as follows:

Clerical – 12.5% effective 7/1/2012.

Court Clerks – 12.0% effective 7/1/2012.

Local 520/Water 520 – Effective 7/1/2012 8.0% for new hires.

Supervisors – 12.5%. 14.0% effective 7/1/2012 for new hires changing to 8.0% after 6/30/2014.

At Will/Non-Union – varies by union contract.

Participant Data

| | <u>6/30/2012</u> | | <u>6/30/2011</u> | |
|-------------------------------|------------------|---------------------|------------------|---------------------|
| | Number | Payroll | Number | Payroll |
| Active Members | | | | |
| General | 39 | \$1,477,173 | 46 | \$1,692,334 |
| Elected & Non-Union | 29* | 206,272 | 30# | 2,300,074 |
| Supervisors | 16 | 2,356,170 | 14 | 284,676 |
| Clerical | 10 | 477,032 | 16 | 768,076 |
| Court | 14 | 635,460 | 19 | 910,591 |
| Water | <u>9</u> | <u>473,306</u> | <u>10</u> | <u>507,225</u> |
| General Total | 117 | \$5,625,413 | 135 | 6,462,976 |
| Police | 57 | 4,898,934 | 71 | 5,992,147 |
| Fire | <u>39</u> | <u>2,938,461</u> | <u>39</u> | <u>3,321,924</u> |
| Total Active Members | 213 | \$13,462,808 | 245 | \$15,777,047 |
| Retirees and Survivors | 362** | \$12,089,618 | 341## | \$10,870,888 |

*Includes 17 At-Will and 11 Elected members.

**Includes 1 General member and 2 Police/Fire members in the Deferred Retirement Option Plan.

#Includes 14 At-Will and 10 Elected members.

##Includes 1 General member and 10 Police/Fire members in the Deferred Retirement Option Plan.

Financial Data

| | <u>06/30/2012</u> | <u>06/30/2011</u> |
|-------------------------|-------------------|-------------------|
| Funding Value of Assets | \$121,682,335 | \$125,962,030 |
| Market Value of Assets | 121,934,533 | 129,981,595 |

Conclusion

The Retirement System is being funded in accordance with a sound level percent of payroll financing objective.



Section Two:

***Actuarial Calculations –
Funding***



Computed Contribution Rates for The Year Beginning July 1, 2013

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 22 years. This is a 1 year decrease from the period used last year.

Contribution Recommendation:

| | <u>Percents of Payroll</u> | |
|--------------------------------------|-----------------------------------|---------------------------|
| | <u>General</u> | <u>Police/Fire</u> |
| Normal Cost | | |
| Regular Retirement | 11.28% | 17.54% |
| Pre-retirement Death | 1.63 | 1.41 |
| Disability | 1.11 | 1.87 |
| Withdrawal | <u>3.13</u> | <u>2.55</u> |
| Total Normal Cost | 17.15 | 23.37 |
| Unfunded Actuarial Accrued Liability | 24.18 | 24.18 |
| Total Computed Contribution | 41.33 | 47.55 |
| Member Portion | 9.67 | 7.00 |
| City's Net Contribution Rate | 31.66% | 40.55% |
| City's Dollar Contribution | \$1,870,056 | \$3,336,967 |

Unfunded Actuarial Accrued Liability

| | <u>June 30, 2012</u> | | <u>June 30, 2011</u> | |
|---|----------------------|--------------------|----------------------|--------------------|
| | <u>General</u> | <u>Police/Fire</u> | <u>General</u> | <u>Police/Fire</u> |
| Actuarial Accrued Liabilities | \$68,136,750 | \$109,440,964 | \$68,244,927 | \$106,073,448 |
| Assets Allocated to Funding | 44,780,954 | 76,901,381 | 48,436,031 | 77,526,000 |
| Unfunded Actuarial Accrued Liabilities | \$23,355,796 | \$32,539,583 | \$19,808,896 | \$28,547,448 |

Recommended City Contributions

| Valuation Date June 30 | Percent of Valuation Payroll | | Dollar Contributions |
|-----------------------------------|-------------------------------------|--------------------|-----------------------------|
| | General | Police/Fire | |
| 1990 | 16.50% | 15.62% | \$1,673,690 |
| 1995 | 17.85 | 20.27 | 2,305,703 |
| 1996 | 17.29 | 17.89 | 2,301,124 |
| 1997 | 16.49 | 16.70* | 2,302,699 |
| 1998 | 18.55 | 12.82* | 2,291,128 |
| 1999 | 18.44 | 9.81* | 2,509,912 |
| 2000 | 17.72 | 10.96* | 2,208,341 |
| 2001 | 18.64 | 11.85* | 2,449,110 |
| 2002 | 17.56 | 15.65* | 2,813,719 |
| 2003 | 18.03 | 19.20 | 3,295,298 |
| 2004 | 20.47 | 20.23 | 3,885,102 |
| 2005 | 22.73 | 18.80 | 3,938,255 |
| 2006 | 23.54 | 20.28 | 4,111,361 |
| 2007# | 23.65 | 19.48 | 4,140,536 |
| 2008#@ | 22.82 | 19.90 | 4,160,914 |
| 2009 | 21.84 | 24.42 | 4,544,628 |
| 2010** | 31.11 | 26.99 | 5,034,218 |
| 2011@ | 31.08 | 33.41 | 5,376,550 |
| 2012@ | 31.66 | 40.55 | 5,207,023 |

#Excluding post-retirement health insurance.

@ After changes in benefit provisions.

*Net of temporary credit for accrued valuation assets in excess of actuarial accrued liabilities.

**Member contributions increases effective only for FY 11/12 reduced the City’s computed contribution rates to 27.04% for General and 20.41% for Police/Fire, and the dollar amount to \$4,050,676.

History of Assets and Accrued Liabilities

| Valuation Date 6/30 | Valuation Assets | Actuarial Accrued Liabilities | Funded Ratio | Unfunded Actuarial Accrued Liabilities |
|----------------------------|-------------------------|--------------------------------------|---------------------|---|
| 1992 | \$59,625 | \$69,137 | 92.8% | \$ 4,606 |
| 1993 | 64,653 | 75,752 | 85.3 | 11,099 |
| 1994 | 67,838 | 80,090 | 84.7 | 12,252 |
| 1995 | 70,758 | 85,608 | 82.7 | 14,850 |
| 1996 | 78,957 | 89,510 | 88.2 | 10,553 |
| 1997 | 86,032 | 92,789 | 92.7 | 6,757 |
| 1998 | 97,090 | 98,592 | 98.5 | 1,502 |
| 1999 | 106,123 | 103,097 | 102.9 | (3,026) |
| 2000 | 111,153 | 108,780 | 102.2 | (2,373) |
| 2001 | 115,009 | 114,218 | 100.7 | (791) |
| 2002 | 112,427 | 117,182 | 95.9 | 4,755 |
| 2003 | 109,779 | 122,849 | 89.4 | 13,070 |
| 2004 | 111,328 | 131,171 | 84.9 | 19,843 |
| 2005 | 114,059 | 135,778 | 84.0 | 21,719 |
| 2006 | 119,145 | 143,792 | 82.9 | 24,647 |
| 2007 | 128,047 | 150,926 | 84.8 | 22,879 |
| 2008 | 133,644 | 158,417 | 84.4 | 24,773 |
| 2009 | 131,095 | 160,689 | 81.6 | 29,594 |
| 2010 | 128,488 | 170,862 | 75.2 | 42,374 |
| 2011 | 125,962 | 174,318 | 72.3 | 48,356 |
| 2012 | 121,682 | 177,578 | 68.5 | 55,895 |

Results shown throughout this report, for years prior to 2001, were prepared by the previous actuarial firm.

Aggregate Gain/Loss - Year Ended June 30,

| | |
|--|---------------|
| (1) UAAL ^a at start of year | \$48,356,344 |
| (2) Normal cost | 3,679,064 |
| (3) Interest accrual | 3,902,656 |
| (4) Contributions | 6,296,756 |
| (5) Expected UAAL before changes | 49,641,308 |
| (6) Benefit Provision Revisions | (5,058,151) |
| (7) Change from assumption revision | None |
| (8) Expected UAAL after changes | 44,583,157 |
| (9) Actual UAAL | 51,862,387 |
| (10) Gain(Loss) | \$(7,279,630) |
| (11) Percent of AAL ^b | (4.18)% |

^a Unfunded Actuarial Accrued Liability.

^b Actuarial Accrued Liability at beginning of year.

Actuarial Balance Sheet June 30, 2012

Actuarial Assets

| | | |
|---|-------------------|-----------------------------|
| Accrued Assets | | |
| Assets from system’s financial statements (market value) | \$121,934,533 | |
| Funding value adjustment | <u>(252,198)</u> | |
| Total accrued assets | | \$121,682,335 |
| | | |
| Actuarial present value of expected future | | |
| For normal costs | 26,469,765 | |
| For unfunded actuarial accrued liabilities | <u>55,895,379</u> | |
| | | <u>82,365,144</u> |
| | | |
| Total Actuarial Present Value of Present and Expected Future Resources | | <u><u>\$204,047,479</u></u> |

Actuarial Present Values (Liability)

| | | |
|---|-------------------|-----------------------------|
| To retirees and beneficiaries | | \$126,848,746 |
| To vested terminated members | | 3,718,810 |
| | | |
| To active members | | |
| Allocated to service rendered prior to valuation date | 45,438,495 | |
| Allocated to service rendered after valuation date | <u>26,469,765</u> | |
| | | <u>71,908,260</u> |
| | | |
| Reserve for DROP accounts | | <u>1,571,663</u> |
| | | |
| Total Actuarial Present Value of Expected Future Benefit Payments and Reserves | | <u><u>\$204,047,479</u></u> |

Comments and Conclusion

Comment 1: The overall experience of the Retirement System was less favorable than assumed during the year ended June 30, 2012. The primary source of the unfavorable experience was the recognized rate of investment return based on the smoothed market value of assets. The recognized rate of return on the funding value of assets was less than assumed (3.1% versus 7.5%) due to the carry forwards of negative experience from 2009 and the negative experience for the year ending June 30, 2012. Also contributing to the negative experience were the number of retirements which were greater than assumed. The negative experience was partially offset by salary increases which were less than assumed.

Comment 2: For the purpose of this valuation we have computed one combined contribution rate for the amortization of unfunded actuarial accrued liability. That combined rate was added to the Normal Cost for each division to determine the total contribution for each division. This eliminates the distortions that can occur due to estimated allocations of the funding value of assets. This results in less fluctuation of the relative employer contribution rates between the General and Police/Fire divisions and is consistent with a level percent of payroll financing approach for each division.

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

Service Retirement

(No reduction factor for age)

Eligibility: All General members - any age with 30 or more years of credited service, age 55 with 20 or more years of credited service, or age 60 with 10 or more years of credited service.

Police and Fire members - age 50 with 20 or more years of credited service or age 55 with 10 or more years of service. Police members and Fire members may retire prior to age 50 with 20 or more years of credited service with forfeiture of i) health insurance premiums prior to age 50 and ii) post-retirement escalation.

Annual Benefits:

General, Supervisors, Clerical and Court Clerk members - 2.0% of Final Average Compensation (FAC) times years of credited service earned after 7/1/2012 up to 80% of FAC if hired prior to July 1, 1994 or up to 75% of FAC if hired after July 1, 1994. The multiplier for service prior to 7/1/2012 is 2.5%.

Local 520 members hired prior to 7/1/2012 - 2.0% of FAC times years of credited service earned after 7/1/2012 up to 80% of FAC if hired prior to 1/1/95 or up to 75% of FAC if hired on or after 1/1/95. The multiplier for service prior to 7/1/2012 is 2.8%.

Local 520 members hired after 7/1/2010 – 1.5% of FAC times years of credited service up to 75% of FAC.

Police Members - 2.8% of FAC for each of the first 25 years of service, plus 1.5% of FAC for each of the next four years.

Fire members hired prior to January 1, 2011- 2.8% of FAC times first 25 years of credited service, plus 1.5% of FAC times years of service in excess of 25, with a 75% of FAC maximum. Fire members hired on or after January 1, 2011 - 2.5% of FAC times all years of service. 70% of FAC maximum.

Type of Final Average Compensation: Clerical members - Average of highest 5 consecutive annual compensations contained within last 10 years preceding retirement. Some lump sum payments included.

Supervisors, Court Clerks, General and Water 520 members: Average of the highest 3 consecutive annual compensations contained within the last 5 years preceding retirement. Some lump sum payments included. For Supervisors - Any four consecutive quarters constitutes a year and years do not need to be consecutive. For Local 520 members the years do not need to be consecutive.

Police members and Fire members - Average of Highest 3 annual compensations contained within last 10 years preceding retirement. Any 4 consecutive quarters will constitute a year. The years need not be consecutive. Some lump sum payments included.

Deferred Retirement Option Program (DROP)

Eligibility: Supervisors are eligible at age 55 with 20 years of service. Police are eligible at age 50 with 25 years of service. Fire members are eligible at age 50 with 20 years of service. Supervisors DROP Term is for one year only.

***Deferred Retirement
(Vested benefit)***

Eligibility: Termination of City employment with 10 or more years of credited service.

Annual Benefit: Accrued regular retirement amount payable beginning at age 55 with 20 years of service or age 60 with 10 years of service for all General members, and age 50 with 20 years of service or age 55 with 10 years of service for Police and Fire.

Duty Disability Retirement

Eligibility: Total and permanent disability incurred in line of duty with the City for which Worker's Compensation is paid.

Annual Benefit: General members - Accrued regular retirement amount; minimum to age 55, 15% of FAC; minimum at age 55, sum of 10% of first \$4,200 of FAC, plus 15% of FAC in excess of \$4,200. Police and Fire – minimum to age 50, 15% of FAC.

For all members, upon termination of Worker's Compensation period, or attainment of age 65, if earlier, service credit is increased to include years in receipt of Worker's Compensation. Minimum 50% of FAC.

Non-Duty Disability

Eligibility: Total and permanent disability after 10 years of credited service.

Annual Benefit: All General members: Accrued regular retirement amount, minimum 15% of FAC. Police and Fire - Accrued regular retirement amount.

Duty Death in Service Survivor's Pension

Eligibility: Death incurred in line of duty with the City, or death of disability retiree as a result of same injury or disease for which he was retired; Worker's Compensation is being paid as a result of the death.

Annual Benefit: Termination of Worker's Compensation period, an amount equal to Worker's Compensation payments are continued to unmarried spouse, unmarried children under age 18, and parents who were in receipt of Worker's Compensation as a result of the death.

Minimum amount to spouse of a deceased Police or Fire member may continue after age 18 if Board finds child to be incapable of self-support due to a disability which began prior to attainment of age 18. Accumulated contributions are refunded

Non-Duty Death in Service Survivor's Pension

Eligibility: Any age with 10 or more years of credited service.

Annual Benefit: Option II (100% survivor) actuarial equivalent of accrued regular retirement amount to elected beneficiary.

Post-Retirement Cost-of-Living

Eligibility: Police members and Fire members with effective dates of retirement on or after July 1, 1977 and July 1, 1976, respectively, and all General members with effective dates of retirement on or after January 1, 1993 are eligible. Police and Fire members who begin normal retirement prior to age 50 forfeit post-retirement cost-of-living adjustments.

Annual Benefit: Police members and Fire members – 15% of regular retirement amount effective 5 years after date of retirement, with a further 15% increase, compounded, effective 10 years after date of retirement. Fire members hired on or after January 1, 2011 – 10% of regular retirement amount effective 5 years after date of retirement, 10% of increase 10 years after retirement, and 10% of increase 15 years after retirement.

Retired prior to 7/1/2012:

All General Members - 10.0% increase effective 5 years after the date of retirement based on the amount of retirement allowance being paid at that time and another 10.0% increase, compounded, effective 5 years after the first increase based on the amount being paid at the time.

Members retiring on or after 7/1/2012: Supervisors, Clerical and Local 520: 5% increase effective 5 years after the date of retirement based on the amount of retirement allowance being paid at that time, another 5% increase effective 10 years after the date of retirement based on the amount of retirement allowance being paid at that time, and a final 5% increase effective 15 years after the date of retirement. Court Clerks - 5% increase effective 5 years after the date of retirement based on the amount of retirement allowance being paid at that time, and another 5% increase effective 10 years after the date of retirement based on the amount of retirement allowance being paid at that time.

Member Contributions

Clerical – Eff. 7/1/12 = 12.5%

Police Command – 7.0%

Court Clerks – Eff. 7/1/12 = 12%

Elected Officials – 6.5%

Fire – 7.0%

Local 520 / Water 520 – 6.5% Eff. 7/1/12 = 8% for new hires only

Police Patrol – 7.0%

Supervisors – Eff. 7/1/12 - 12.5%. New hires - 14% July 1, 2012 – June 30, 2014 than 8%

Part-Time – 6.5%

At-Will / Non-Union – Varies by what union contracts their benefits are based upon.



Section Four:

***Actuarial Assumptions
And Methods***



Actuarial Assumptions

Economic Assumptions

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

(ii) **Salary Increases**

Across-the-Board 5.0%
 Merit and Longevity Age-related rates

Sample Annual Rates of Salary Increase

| Sample Ages | Across-the-Board | Merit and Longevity | | Totals | |
|-------------|------------------|---------------------|-------------|-------------|-------------|
| | | All General | Police-Fire | All General | Police-Fire |
| 20 | 5.0% | 3.8% | 3.0% | 8.8% | 8.0% |
| 25 | 5.0 | 3.1 | 3.0 | 8.1 | 8.0 |
| 30 | 5.0 | 2.7 | 2.6 | 7.7 | 7.6 |
| 35 | 5.0 | 2.4 | 1.1 | 7.4 | 6.1 |
| 40 | 5.0 | 2.1 | 0.2 | 7.1 | 5.2 |
| 45 | 5.0 | 1.7 | 0.2 | 6.7 | 5.2 |
| 50 | 5.0 | 1.1 | 0.2 | 6.1 | 5.2 |
| 55 | 5.0 | 0.7 | 0.1 | 5.7 | 5.1 |
| 60 | 5.0 | 0.2 | - | 5.2 | 5.0 |
| 65 | 5.0 | - | - | 5.0 | 5.0 |

Demographic Assumptions

(i) Mortality

1984 Group Annuity Mortality Table
male and female.

| Sample Ages | Value of \$1 Monthly for Life | | Future Life Expectancy (Years) | |
|-------------|-------------------------------|----------|--------------------------------|-------|
| | Men | Women | Men | Women |
| 50 | \$134.71 | \$146.05 | 27.53 | 33.66 |
| 55 | 125.72 | 139.18 | 23.28 | 28.99 |
| 60 | 114.86 | 130.21 | 19.27 | 24.44 |
| 65 | 102.12 | 118.98 | 15.55 | 20.09 |
| 70 | 88.28 | 105.19 | 12.25 | 15.99 |
| 75 | 74.58 | 89.73 | 9.49 | 12.33 |
| 80 | 60.87 | 74.20 | 7.17 | 9.28 |

(ii) Disability

| Sample Ages | Percent Becoming Disabled Within Next Year | | |
|-------------|--|-------|-------------|
| | General | | Police/Fire |
| | Men | Women | |
| 20 | 0.07% | 0.03% | 0.10% |
| 25 | 0.09 | 0.05 | 0.15 |
| 30 | 0.10 | 0.07 | 0.20 |
| 35 | 0.14 | 0.13 | 0.25 |
| 40 | 0.21 | 0.19 | 0.50 |
| 45 | 0.32 | 0.28 | 0.65 |
| 50 | 0.52 | 0.45 | 0.80 |
| 55 | 0.92 | 0.76 | 0.95 |

(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 | 20.00% | 12.00% | 10.00% |
| | 1 | 15.00 | 9.00 | 7.00 |
| | 2 | 10.00 | 7.00 | 5.00 |
| | 3 | 8.00 | 5.00 | 4.00 |
| | 4 | 7.00 | 4.50 | 3.50 |
| | | | | |
| 20 | 5 & Over | 6.00 | 4.50 | 3.50 |
| 25 | | 6.00 | 4.50 | 3.50 |
| 30 | | 5.50 | 3.90 | 2.90 |
| 35 | | 4.40 | 2.30 | 1.50 |
| 40 | | 1.85 | 0.90 | 0.60 |
| | | | | |
| 45 | | 1.25 | 0.50 | 0.50 |
| 50 | | 1.25 | 0.50 | 0.50 |
| 55 | | 1.25 | 0.50 | 0.50 |
| 60 | | 1.25 | 0.50 | 0.50 |
| 65 | | 1.25 | - | - |

(iv) Retirement Rates

Age-related rates

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

| Age Retiring | Percent Retiring | | | |
|--------------|------------------|---------|--------|------|
| | Supervisors | General | Police | Fire |
| 50 | 30 | 20 | 50 | 50 |
| 51 | 25 | 15 | 25 | 35 |
| 52 | 20 | 10 | 25 | 25 |
| 53 | 20 | 10 | 25 | 25 |
| 54 | 20 | 10 | 25 | 25 |
| | | | | |
| 55 | 20 | 10 | 25 | 25 |
| 56 | 20 | 10 | 25 | 25 |
| 57 | 20 | 10 | 25 | 25 |
| 58 | 20 | 10 | 25 | 25 |
| 59 | 20 | 10 | 25 | 25 |
| | | | | |
| 60 | 20 | 10 | 100 | 100 |
| 61 | 20 | 10 | | |
| 62 | 40 | 30 | | |
| 63 | 20 | 10 | | |
| 64 | 20 | 10 | | |
| | | | | |
| 65 | 100 | 100 | | |

A General member was assumed to be eligible for normal retirement after attaining age 50 with 30 years of service, after attaining age 55 with 20 or more years of service, or after attaining age 60 with 10 or more years of service. Supervisor members were assumed eligible for DROP retirement at age 50 with 25 or more years of service. Police members were assumed eligible after attaining age 50 with 20 or more years of service or after attaining age 55 with 10 or more years of service. Fire members were assumed eligible after attaining age 50 with 20 or more years of service or after attaining age 55 with 10 or more years of service. Police members were assumed eligible for DROP retirement at age 50 with 25 years of service, and Fire members are eligible at age 50 with 20 years of service.

Lump sum payments included in the calculation of average pay upon which benefits are computed were assumed to increase benefits by 10%. Using non-consecutive quarters in FAC was assumed to increase benefits by 1%.

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 22 years, a decrease of 1 year from the period used for the June 30, 2011 annual valuation.

Active member payroll was assumed to increase 5.0% 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, 2012

| | | | |
|---|----------------|--|----------------|
| a. Revenues | | | |
| (i) Member Contributions | | | |
| General, Police & Fire | \$1,883,120 | | |
| Water | <u>69,112</u> | | \$1,952,233 |
| (ii) Employer Contributions | | | |
| General | 1,697,351 | | |
| Police & Fire | 2,389,515 | | |
| Water | <u>257,657</u> | | 4,344,523 |
| (iii) Investment Income (Net of Expenses) | | | |
| | | | <u>70,343</u> |
| (iv) Total Income | | | |
| | | | \$6,367,099 |
| b. Expenses | | | |
| (i) Pensions | | | |
| | | | \$12,605,926 |
| (ii) Refunds | | | |
| General | 51,851 | | |
| Police & Fire | 1,567,975 | | |
| Water | <u>0</u> | | 1,619,825 |
| (iii) Non-Investment Expenses | | | |
| | | | <u>188,602</u> |
| (iv) Total Expenses | | | |
| | | | 14,414,353 |
| Total revenues minus total expenditures | | | |
| | | | \$(8,047,254) |

Asset Reconciliation

| | |
|--|---------------|
| Market Value of Assets – June 30, 2011 | \$129,981,595 |
| Revenues | 6,367,099 |
| Expenditures | 14,414,353 |
| Adjustments | 192 |
| Market Value of Assets – June 30, 2012 | \$121,934,533 |

Asset Summary

As of June 30, 2012 the market value of assets was reported to be \$121,934,533. The funding value of assets (smoothed market value) was computed to be \$121,682,335.

Funding Value of Assets

| | |
|--|---------------|
| A. Funding Value Beginning of Year | \$125,962,030 |
| B. Market Value End of Year | 121,934,533 |
| C. Market Value Beginning of Year | 129,981,595 |
| D. Non-Investment Net Cash Flow | (8,117,597) |
| E. Investment Income | |
| E1. Market Total B-C-D | 70,535 |
| E2. Amount for Immediate Recognition (7.5%) | 9,142,742 |
| E3. Amount for Phased-In Recognition E1-E2 | (9,072,208) |
| F. Phased-In Recognition of Investment Income | |
| F1. Current Year 0.25 x E3 | (2,268,052) |
| F2. First Prior Year | 2,915,328 |
| F3. Second Prior Year | 1,225,702 |
| F4. Third Prior Year | (7,177,819) |
| F5. Total Recognized Investment Gain | (5,304,841) |
| G. Funding Value End of Year A+D+E2+F5 | 121,682,335 |
| H. Difference Between Market and Funding Value | 252,198 |
| I. Health Insurance Reserve | 0 |
| J. Net Funding Value | \$121,682,335 |
| K. Recognized Rate of Return on Funding Value | 3.1% |

Participant Summary

Retirees and Beneficiaries Included in the Valuation

There were 362 retirees and beneficiaries included in the valuation, with annual pensions totaling \$12,089,618.

During the year ended June 30, 2012, 14 members from the General Division, 10 members from the Police Division and 2 from the Fire Division retired. Two Police Command members entered the DROP and 10 were removed.

Pensions Being Paid Historical Schedule

| Valuation Date June 30 | No. | Annual Pensions | Average Pension | Discounted Value of Pensions | |
|---------------------------|------------|-------------------|-----------------|------------------------------|----------------|
| | | | | Total | Average |
| 1990 | 176 | \$1,997,196 | \$11,348 | \$23,484,201 | \$133,433 |
| 1995 | 237 | 3,546,617 | 14,977 | 40,059,089 | 169,026 |
| 1996 | 242 | 3,704,203 | 15,307 | 41,245,842 | 170,437 |
| 1997 | 246 | 4,136,283 | 16,814 | 45,732,511 | 185,905 |
| 1998 | 246 | 4,430,669 | 18,011 | 48,755,274 | 198,192 |
| 1999 | 249 | 4,820,344 | 19,359 | 53,182,217 | 213,583 |
| 2000 | 261 | 5,468,133 | 20,951 | 60,606,499 | 232,209 |
| 2001 | 262 | 5,725,074 | 21,851 | 62,075,690 | 236,930 |
| 2002 | 272 | 5,989,093 | 22,019 | 63,239,260 | 232,497 |
| 2003 | 270 | 6,381,561 | 23,635 | 65,879,324 | 243,986 |
| 2004 | 270 | 6,501,678 | 24,080 | 66,273,122 | 245,456 |
| 2005 | 276 | 6,966,711 | 25,242 | 71,198,776 | 257,967 |
| 2006 | 291 | 7,663,900 | 26,336 | 79,112,714 | 271,865 |
| 2007 | 304 | 8,297,320 | 27,294 | 84,776,799 | 278,871 |
| 2008 | 308 | 8,919,064 | 28,958 | 92,532,238 | 300,429 |
| 2009 | 313 | 9,254,286 | 29,566 | 92,490,698 | 295,497 |
| 2010 | 335 | 10,296,903 | 30,737 | 106,938,529* | 319,219 |
| 2011 | 341 | 10,870,888 | 31,879 | 110,616,458* | 324,388 |
| 2012 | 362 | 12,089,618 | 33,397 | 128,420,409* | 354,753 |

*Includes the Drop Reserve balance beginning in 2010.

Note: Includes DROP participants beginning in 2003.

Retired Members and Survivors – June 30, 2012

| Attained Age | No. | Annual Pensions | Totals | | | |
|-----------------|------------|---------------------|----------|--------------------|-------------|---------------------|
| | | | No. | Annual Pensions | No. | Annual Pensions |
| 40-44 | 3 | \$107,309 | | \$ - | 3 | \$107,309 |
| 45-49 | 11 | 487,022 | | | 11 | 487,022 |
| 50-54 | 31 | 1,620,878 | | | 31 | 1,620,878 |
| 55-59 | 40 | 1,770,687 | 3 | 59,181 | 43 | 1,829,868 |
| 60-64 | 71 | 2,733,571 | 1 | 17,520 | 72 | 2,751,091 |
| 65-69 | 66 | 2,292,290 | 1 | 17,360 | 67 | 2,309,650 |
| 70-74 | 42 | 1,265,469 | 2 | 21,101 | 44 | 1,286,570 |
| 75-79 | 25 | 636,241 | 1 | 12,991 | 26 | 649,232 |
| 80 | 7 | 128,600 | | | 7 | 128,600 |
| 81 | 7 | 162,469 | | | 7 | 162,469 |
| 82 | 4 | 63,297 | | | 4 | 63,297 |
| 83 | 9 | 163,847 | | | 9 | 163,847 |
| 84 | 5 | 94,297 | | | 5 | 94,297 |
| 85 | 10 | 148,248 | | | 10 | 148,248 |
| 86 | 5 | 73,974 | | | 5 | 73,974 |
| 87 | 6 | 109,079 | | | 6 | 109,079 |
| 88 | 2 | 32,113 | | | 2 | 32,113 |
| 89 | 6 | 45,881 | | | 6 | 45,881 |
| 90 | 1 | 4,532 | | | 1 | 4,532 |
| 91 | 1 | 8,808 | | | 1 | 8,808 |
| 92 | 2 | 12,853 | | | 2 | 12,853 |
| Totals | 354 | \$11,961,465 | 8 | \$128,153 | 362* | \$12,089,618 |

*Includes 3 members in the Deferred Retirement Option Plan.

Inactive Members – June 30, 2012

| <u>Age</u> | <u>No.</u> | <u>Estimated Annual Pension</u> |
|---------------|------------|-------------------------------------|
| 37 | 1 | \$24,587 |
| 38 | 1 | 29,124 |
| 40 | 1 | 15,485 |
| 42 | 1 | 21,892 |
| 45 | 1 | 15,546 |
| 49 | 4 | 223,086 |
| 52 | 2 | 19,864 |
| 54 | 2 | 85,713 |
| 55 | 2 | 22,499 |
| 56 | 1 | 2,549 |
| Totals | 16 | \$460,345 |

Active Member Summary

General Active Members - June 30, 2012
Age and Service Distribution

| Attained Age | Service | | | | | | Totals | |
|-----------------|-----------|-----------|-----------|-----------|----------|----------|------------|--------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | No. | Payroll |
| 25-29 | 3 | | | | | | 3 | \$119,301 |
| 30-34 | 4 | 3 | 1 | | | | 8 | 415,982 |
| 35-39 | 2 | | 1 | | 1 | | 4 | 208,246 |
| 40-44 | 4 | 2 | 4 | 7 | 3 | | 20 | 1,089,120 |
| 45-49 | 4 | 3 | 11 | 4 | 3 | 1 | 26 | 1,316,115 |
| 50-54 | 5 | 4 | 6 | 4 | 2 | 6 | 27 | 1,377,389 |
| 55-59 | 6 | 5 | 2 | 4 | | | 17 | 698,781 |
| 60-64 | 1 | 1 | 2 | 2 | | | 6 | 278,867 |
| 65-69 | 2 | 4 | | | | | 6 | 121,612 |
| Totals | 31 | 22 | 27 | 21 | 9 | 7 | 117 | \$5,625,413 |

Group Averages:

Age: 49.3 years
Service: 11.3 years
Annual Pay: \$48,080

Police Active Members - June 30, 2012
Age and Service Distribution

| Attained Age | Service | | | | | | Totals | |
|-----------------|----------|-----------|-----------|-----------|----------|-------|-----------|--------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | No. | Payroll |
| 25-29 | 1 | 1 | | | | | 2 | \$153,585 |
| 30-34 | 1 | 6 | 1 | | | | 8 | 612,562 |
| 35-39 | | 4 | 12 | 1 | | | 17 | 1,431,562 |
| 40-44 | | 1 | 7 | 5 | 2 | | 15 | 1,271,567 |
| 45-49 | | | 1 | 5 | 5 | | 11 | 1,014,217 |
| 50-54 | | | 1 | | 1 | | 2 | 216,271 |
| 55-59 | 1 | | | | 1 | | 2 | 199,170 |
| Totals | 3 | 12 | 22 | 11 | 9 | | 57 | \$4,898,934 |

Group Averages:

Age: 41.1 years
Service: 13.4 years
Annual Pay: \$85,946

Fire Active Members - June 30, 2012
Age and Service Distribution

| Attained Age | Service | | | | | Totals | | |
|-----------------|----------|----------|----------|-----------|----------|--------|-----------|--------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | No. | Payroll |
| 20-24 | 2 | | | | | | 2 | \$72,000 |
| 25-29 | 3 | | | | | | 3 | 157,194 |
| 30-34 | 3 | 2 | | | | | 5 | 297,998 |
| 35-39 | 1 | 1 | 1 | | | | 3 | 249,386 |
| 40-44 | | | 5 | 9 | 2 | | 16 | 1,310,412 |
| 45-49 | | | | 4 | 2 | | 6 | 523,956 |
| 50-54 | | | | 4 | | | 4 | 327,515 |
| Totals | 9 | 3 | 6 | 17 | 4 | | 39 | \$2,938,461 |

Group Averages:

Age: 40.4 years
Service: 12.3 years
Annual Pay: \$75,345

Active Members – Two -Year Summary

| | <u>2012</u> | | | <u>2011</u> | | |
|------------------------|----------------|---------------|-------------|----------------|---------------|-------------|
| | <u>General</u> | <u>Police</u> | <u>Fire</u> | <u>General</u> | <u>Police</u> | <u>Fire</u> |
| Active Members | 117 | 57 | 39 | 135 | 71 | 39 |
| Valuation Payroll | \$5,625,413 | \$4,898,934 | \$2,938,461 | \$6,462,976 | \$5,992,147 | \$3,321,924 |
| Average Compensation | \$48,080 | \$85,946 | \$75,345 | \$47,873 | \$84,396 | \$85,178 |
| Average Age (yrs.) | 49.3 | 41.1 | 40.4 | 49.5 | 41.3 | 41.3 |
| Average Service (yrs.) | 11.3 | 13.4 | 12.3 | 11.8 | 14.1 | 13.2 |



Section Six:
Accounting Disclosures



GASB Statement No. 25 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, 2012 |
| Actuarial Cost Method: | Individual Entry Age |
| Amortization method: | Level percent of payroll, closed |
| Remaining amortization period for credit: | 22 years |
| Asset valuation method: | 4-year smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.50% |
| Projected salary increases* | 5.0%-8.8% |
| * Includes inflation at | 5.0% |

Membership data as of June 30, 2012 is indicated in Section Five of this report.

**Analysis of Funding Progress
(Dollar Amounts in Millions)**

| Valuation Date 06/30 | (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 |
|-----------------------------|--|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| 1990 | \$50,814 | \$58,178 | 93.1% | \$3,795 | \$10,433 | 36.4% |
| 1991 | 54,480 | 64,231 | 93.6 | 3,698 | 10,892 | 34.0 |
| 1992 | 59,625 | 69,137 | 92.8 | 4,606 | 11,382 | 40.5 |
| 1993 | 64,653 | 75,752 | 85.3 | 11,099 | 11,512 | 96.4 |
| 1994 | 67,838 | 80,090 | 84.7 | 12,252 | 12,163 | 100.7 |
| 1995 | 70,758 | 85,608 | 82.7 | 14,850 | 12,044 | 123.3 |
| 1996 | 78,957 | 89,510 | 88.2 | 10,553 | 13,064 | 80.8 |
| 1997 | 86,032 | 92,789 | 92.7 | 6,757 | 13,321 | 50.7 |
| 1998 | 97,090 | 98,592 | 98.5 | 1,502 | 14,176 | 10.6 |
| 1999 | 106,123 | 103,097 | 102.9 | (3,026) | 14,481 | - |
| 2000 | 111,153 | 108,780 | 102.2 | (2,373) | 14,977 | - |
| 2001 | 115,009 | 114,218 | 100.7 | (791) | 15,372 | - |
| 2002 | 112,427 | 117,182 | 95.9 | 4,755 | 16,005 | 29.7 |
| 2003 | 109,779 | 122,849 | 89.4 | 13,070 | 16,818 | 77.7 |
| 2004 | 111,328 | 131,171 | 84.9 | 19,843 | 18,193 | 109.1 |
| 2005 | 114,059 | 135,778 | 84.0 | 21,719 | 18,217 | 119.2 |
| 2006 | 119,145 | 143,792 | 82.9 | 24,647 | 17,976 | 137.1 |
| 2007 | 128,047 | 150,926 | 84.8 | 22,879 | 18,165 | 126.0 |
| 2008 | 133,644 | 158,417 | 84.4 | 24,773 | 18,683 | 132.6 |
| 2009 | 131,095 | 160,689 | 81.6 | 29,594 | 18,619 | 158.9 |
| 2010 | 128,488 | 170,862 | 75.2 | 42,374 | 16,755 | 252.9 |
| 2011 | 125,962 | 174,318 | 72.3 | 48,356 | 15,777 | 306.5 |
| 2012 | 121,682 | 177,578 | 68.5 | 55,896 | 13,463 | 415.2 |

Required Supplementary Information
Schedule of Employer Contributions

| Valuation Date June 30 | Computed Rates as Percents of Valuation Payroll | | Computed Dollar Contribution Based on Valuation Payroll | Percent Contributed |
|---------------------------|---|---------------|--|------------------------|
| | General & Water | Police & Fire | | |
| 1990 | 16.50% | 15.62% | \$1,673,690 | 100% |
| 1991 | 16.94 | 17.67 | 1,886,703 | 100% |
| 1992 | 17.46 | 17.75 | 2,005,200 | 100% |
| 1993 | 18.34 | 18.43 | 2,116,880 | 100% |
| 1994 | 16.71 | 18.99 | 2,186,614 | 100% |
| 1995 | 17.85 | 20.27 | 2,305,703 | 100% |
| 1996 | 17.29 | 17.89 | 2,301,124 | 100% |
| 1997 | 16.49 | 16.70 | 2,302,699 | 100% |
| 1998 | 18.55 | 12.82 | 2,291,128 | 100% |
| 1999 | 18.44 | 9.91 | 2,509,912 | 100% |
| 2000 | 17.72 | 10.96 | 2,208,341 | 100% |
| 2001 | 18.64 | 11.85 | 2,449,110 | 100% |
| 2002 | 17.56 | 15.65 | 2,813,719 | 100% |
| 2003 | 18.03 | 19.20 | 3,295,298 | 100% |
| 2004 | 20.47 | 20.23 | 3,885,102 | 100% |
| 2005 | 22.73 | 18.80 | 3,938,255 | 100% |
| 2006 | 23.54 | 20.28 | 4,111,362 | 100% |
| 2007 | 23.65 | 19.49 | 4,140,536 | 100% |
| 2008 | 22.82 | 19.90 | 4,160,914 | 100% |
| 2009 | 21.84 | 24.42 | 4,544,628 | 100% |
| 2010* | 31.11 | 26.99 | 5,034,218 | 100% |
| 2011 | 31.08 | 33.41 | 5,376,550 | |
| 2012 | 31.66 | 40.55 | 5,207,023 | |

*Member contributions increases effective only for FY 11/12 reduced the City's computed contribution rates to 27.04% for General and 20.41% for Police/Fire, and the dollar amount to \$4,050,676