



---

## **CITY OF STAMFORD CUSTODIANS AND MECHANICS PENSION FUND**

**Actuarial Valuation as of July 1, 2018  
To Determine Funding For Fiscal Year 2019-20**

**Prepared by**

**Rebecca A. Sielman, FSA**  
Consulting Actuary

**Yelena Pelletier, ASA**  
Consulting Actuary

80 Lambertson Road  
Windsor, CT 06095 USA  
(860) 687-2110  
milliman.com

## Table of Contents

	<b>Page</b>
<b>CERTIFICATION</b>	1
<b>I EXECUTIVE SUMMARY</b>	3
<b>II PLAN ASSETS</b>	
<b>A.</b> Summary of Fund Transactions	14
<b>B.</b> Development of Actuarial Value of Assets	15
<b>III DEVELOPMENT OF CONTRIBUTION</b>	
<b>A.</b> Past Service Cost	16
<b>B.</b> Actuarially Determined Contribution	17
<b>C.</b> Long Range Forecast	18
<b>D.</b> History of Funded Status	19
<b>E.</b> History of City Contributions	20
<b>IV MEMBERSHIP DATA</b>	
<b>A.</b> Reconciliation of Membership from Prior Valuation	21
<b>B.</b> Statistics of Active Membership	22
<b>C.</b> Statistics of Inactive Membership	23
<b>D.</b> Distribution of Inactive Members	24
<b>APPENDICES</b>	
<b>A.</b> Actuarial Funding Method	25
<b>B.</b> Actuarial Assumptions	26
<b>C.</b> Summary of Plan Provisions	28
<b>D.</b> Glossary	30

## Certification

We have performed an actuarial valuation of the Plan as of July 1, 2018 to determine funding for fiscal year 2019-20. This report presents the results of our valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations. In addition, this report provides:

- A valuation of plan assets and liabilities to review the year-to-year progress of funding.
- Information needed to meet disclosure requirements.
- Review of plan experience for the previous year to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the plan, i.e., through a comparison of plan assets and projected plan liabilities.
- Comments on any other matters which may be of assistance in the funding and operation of the plan.

This report may not be used for purposes other than those listed above without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this certification section.

Milliman's work is prepared solely for the internal business use of the City of Stamford ("City"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the City may provide a copy of Milliman's work, in its entirety, to the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the City; and (b) the City may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

In preparing this report, we relied on employee census data and financial information as of the valuation date, furnished by the City. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

## Certification

The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices. Figures for periods prior to July 1, 2018 have been obtained from actuarial valuation reports prepared by Hooker & Holcombe and from the City's Comprehensive Annual Financial Reports.

The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices.

I further certify that, in my opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurement.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



---

Rebecca A. Sielman, FSA  
Consulting Actuary

## Section I - Executive Summary Changes Since the Prior Valuation

### Plan Changes

Medicare Part B reimbursement payments are no longer being paid from the Plan, so the corresponding liability has been removed from this plan and transferred to the OPEB plan. This change lowered the Accrued Liability by about \$5.32 million.

### Changes in Actuarial Methods and Assumptions

The interest rate assumption was lowered from 7.20% to 7.10% and the salary scale was modified to reflect a reduction in the inflation assumption from 2.75% to 2.60%. These changes increased the Accrued Liability by about \$0.45 million.

### Other Significant Changes

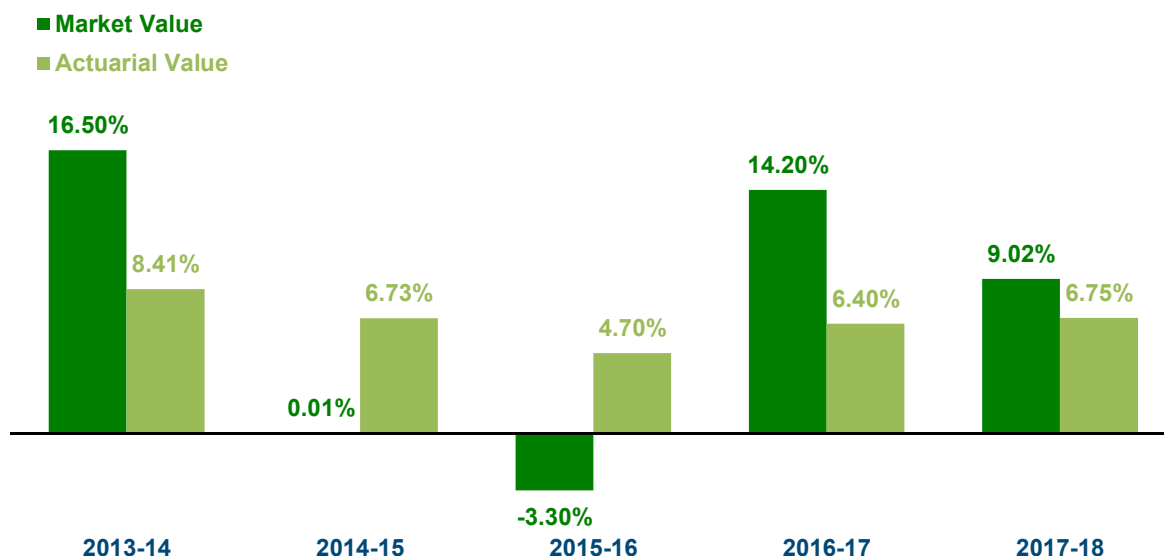
None.

## Section I - Executive Summary Assets

There are two different measures of the plan's assets that are used throughout this report. The Market Value is a snapshot of the plan's investments as of the valuation date. The Actuarial Value is a smoothed asset value designed to temper the volatile fluctuations in the market by recognizing investment gains or losses asymptotically over five years.

	<b>Market</b>	<b>Actuarial</b>
Value as of July 1, 2017	\$63,418,939	\$66,218,281
City and Member Contributions	3,380,054	3,380,054
Investment Income	5,730,009	4,469,000
Benefit Payments and Administrative Expenses	<u>(3,236,721)</u>	<u>(3,236,721)</u>
Value as of July 1, 2018	69,292,281	70,830,614

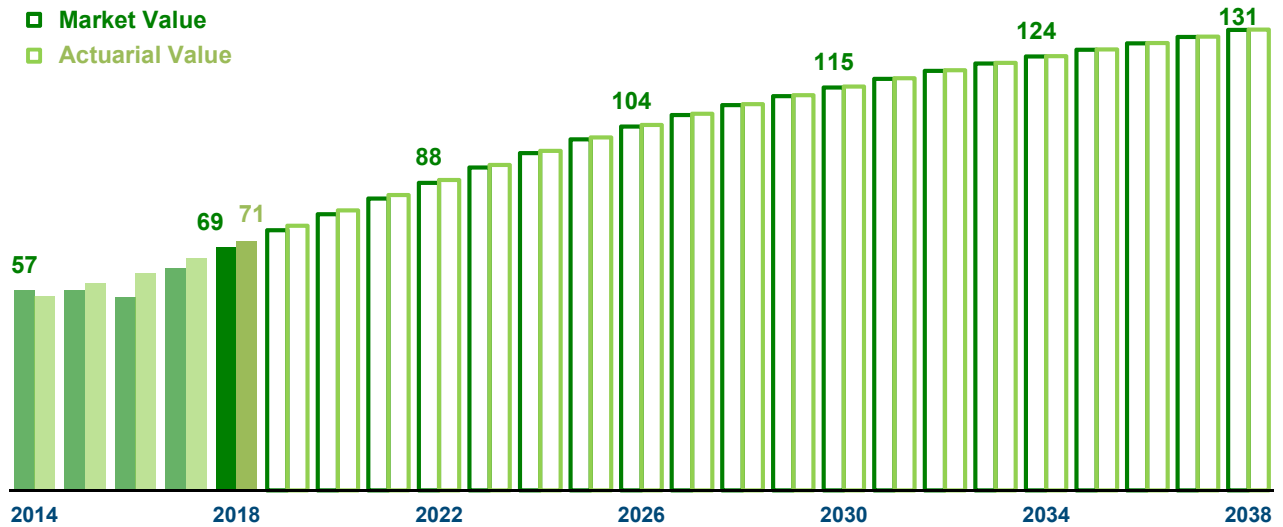
For fiscal year 2017-18, the plan's assets earned 9.02% on a Market Value basis and 6.75% on an Actuarial Value basis. The actuarial assumption for this period was 7.20%; the result is an asset gain of about \$1.2 million on a Market Value basis and a loss of about \$0.4 million on an Actuarial Value basis. Historical rates of return are shown in the graph below.



Please note that the Actuarial Value currently exceeds the Market Value by \$1.5 million. This figure represents investment losses that will be gradually recognized in future years. This process will exert upward pressure on the City's contribution, unless there are offsetting market gains.

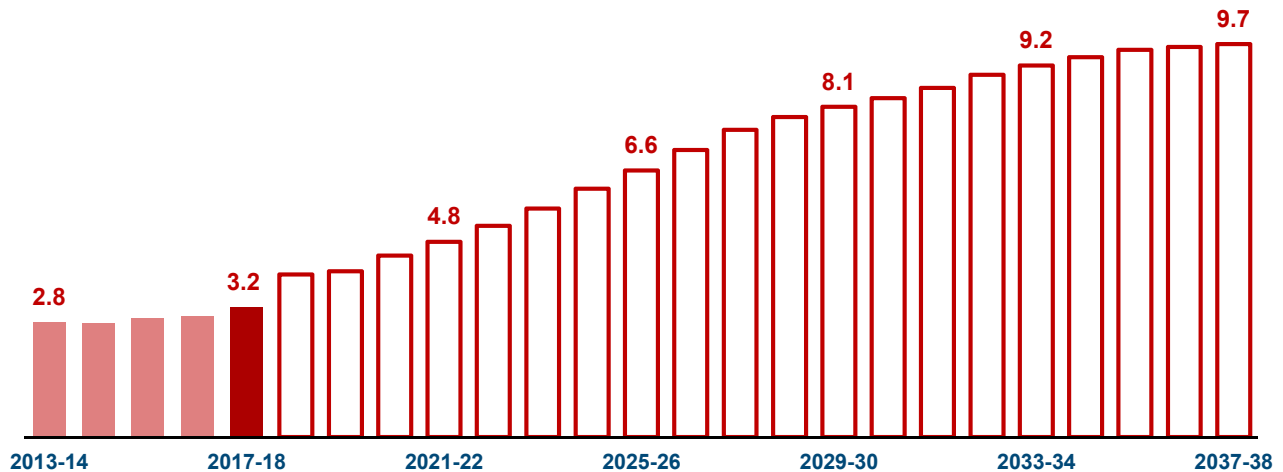
## Section I - Executive Summary Assets (continued)

The graph below shows how this year's asset values compare to where the plan's assets have been over the past several years and how they are projected to change over the next 20 years. For purposes of this projection, we have assumed that the City always contributes the Actuarially Determined Contribution and the investments always earn the assumed interest rate each year.



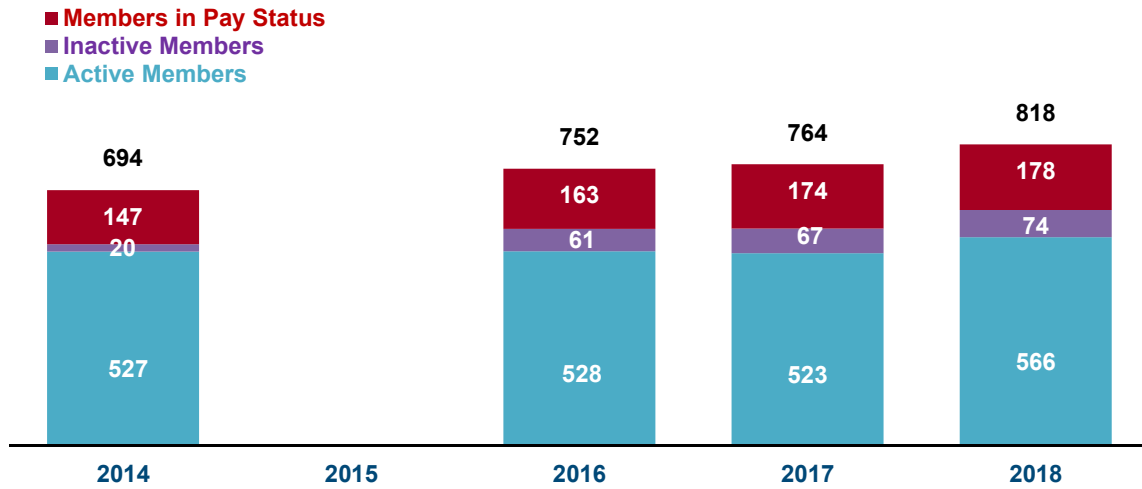
In 2017-18, the plan paid out \$3.2 million in benefits to members. Over the next 20 years, the plan is projected to pay out a total of \$145 million in benefits to members.

### Benefit Payments



## Section I - Executive Summary Membership

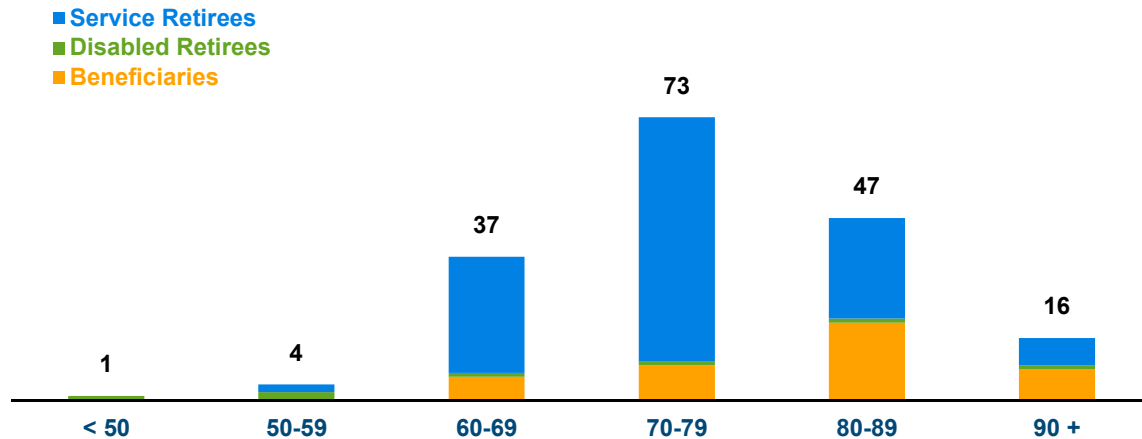
There are three basic categories of plan members included in the valuation: (1) members who are receiving monthly pension benefits, (2) former employees who have a vested right to benefits but have not yet started collecting, and (3) active employees who have met the eligibility requirements for membership. Prior to 2016, full valuations were only performed in even-numbered years, so membership information is not available for all past years.



### Members in Pay Status on July 1, 2018

Service Retirees	128	Average Age	76.1
Disabled Retirees	7	Total Annual Benefit	\$2,955,848
Beneficiaries	43	Average Annual Benefit	16,606
Total	178		

The members in pay status fall across a wide distribution of ages:





## Section I - Executive Summary Membership (continued)

### Terminated Vested Members on July 1, 2018

Count	7
Average Age	56.0
Total Annual Benefit	\$35,435
Average Annual Benefit	5,062

### Nonvested Members Due Refunds on July 1, 2018

Count	67
-------	----

### Active Members on July 1, 2018

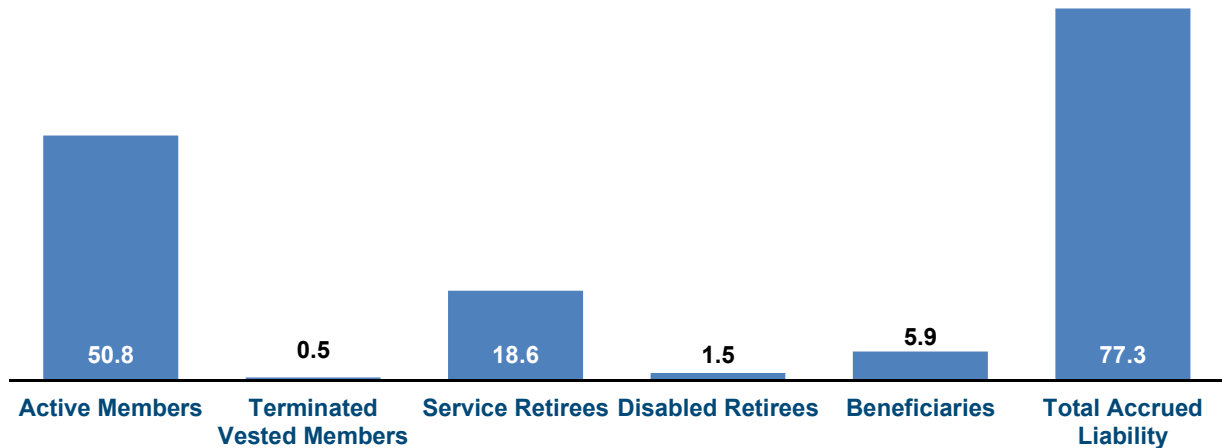
Count	566
Average Age	50.7
Average Service	12.9
Payroll	\$22,066,298
Average Payroll	38,986

The table below illustrates the age and years of service of the active membership:

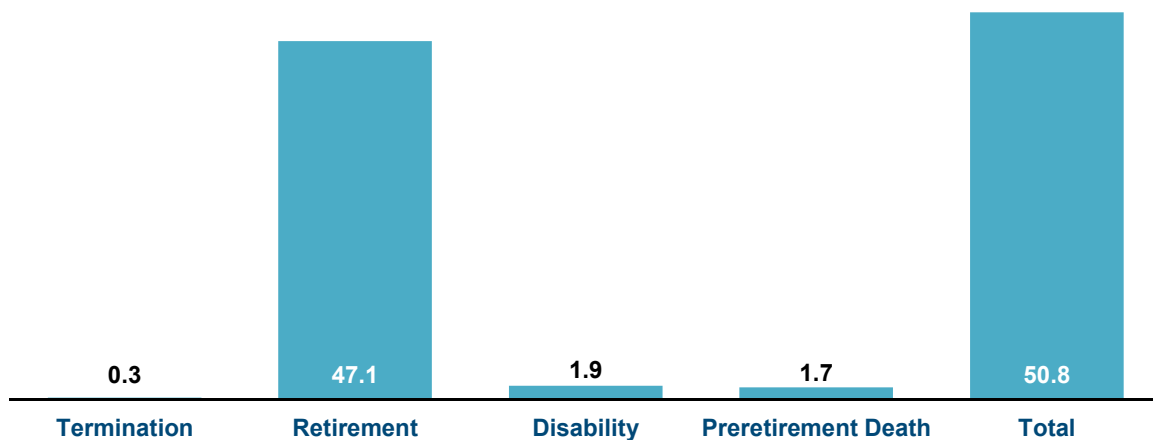
Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
< 25	8							8
25-29	35	3						38
30-34	24	9	6					39
35-39	22	10	8	4				44
40-44	21	11	7	5	3			47
45-49	19	7	5	14	3			48
50-54	15	8	21	22	8	6	3	83
55-59	10	9	23	31	15	8	4	100
60-64	18	10	14	17	17	9	6	91
65+	1	8	9	13	12	9	16	68
<b>Total</b>	<b>173</b>	<b>75</b>	<b>93</b>	<b>106</b>	<b>58</b>	<b>32</b>	<b>29</b>	<b>566</b>

## Section I - Executive Summary Accrued Liability

The Accrued Liability as of July 1, 2018 (in \$ millions) consists of the following pieces:



The Accrued Liability for active members can be broken down further by the different types of benefits provided by the plan:

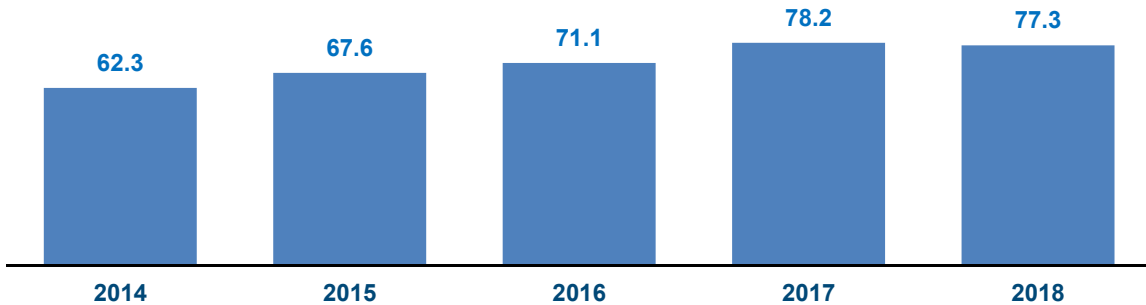


For purposes of determining the City's contribution, the Accrued Liability is measured using the Projected Unit Credit actuarial cost method. A different actuarial cost method, Entry Age Normal, is required to be used to measure liability for financial reporting purposes per GASB 67/68. As of July 1, 2018, the Entry Age Normal Accrued Liability is \$79,722,075.

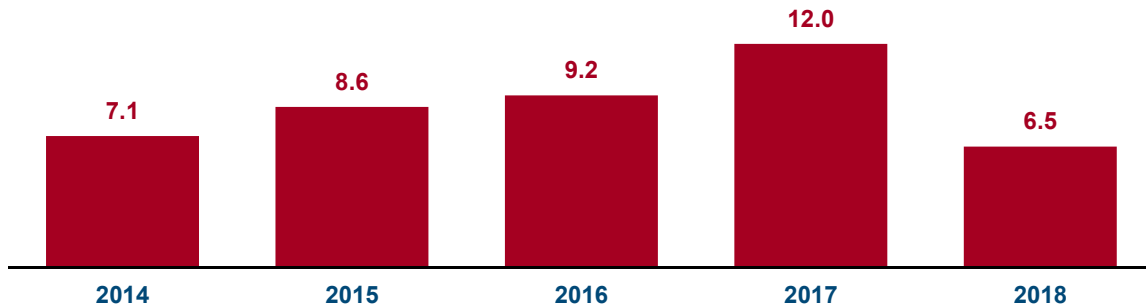
## Section I - Executive Summary Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as members receive benefits; it may also change when there are changes to the plan provisions or changes in the actuarial assumptions. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

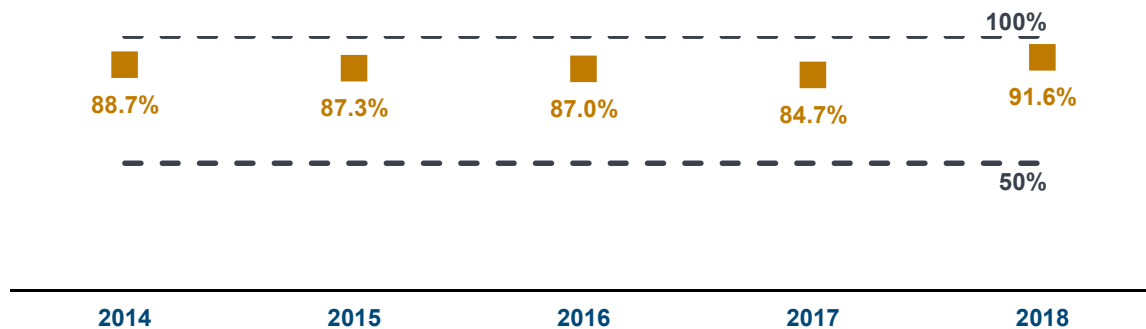
Accrued Liability (\$ millions)



Unfunded Accrued Liability (\$ millions)



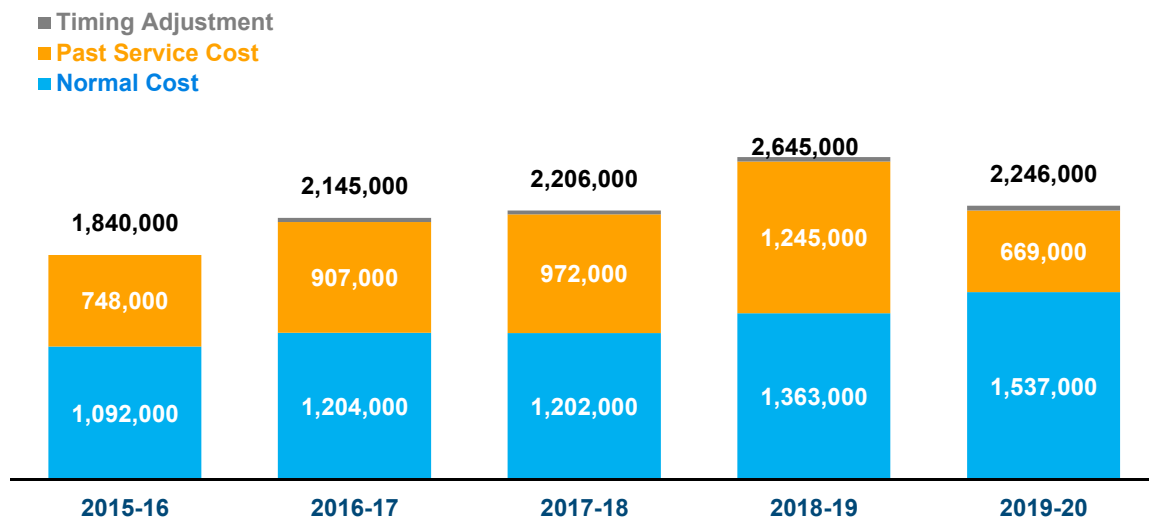
Funded Ratio



## Section I - Executive Summary Actuarially Determined Contribution

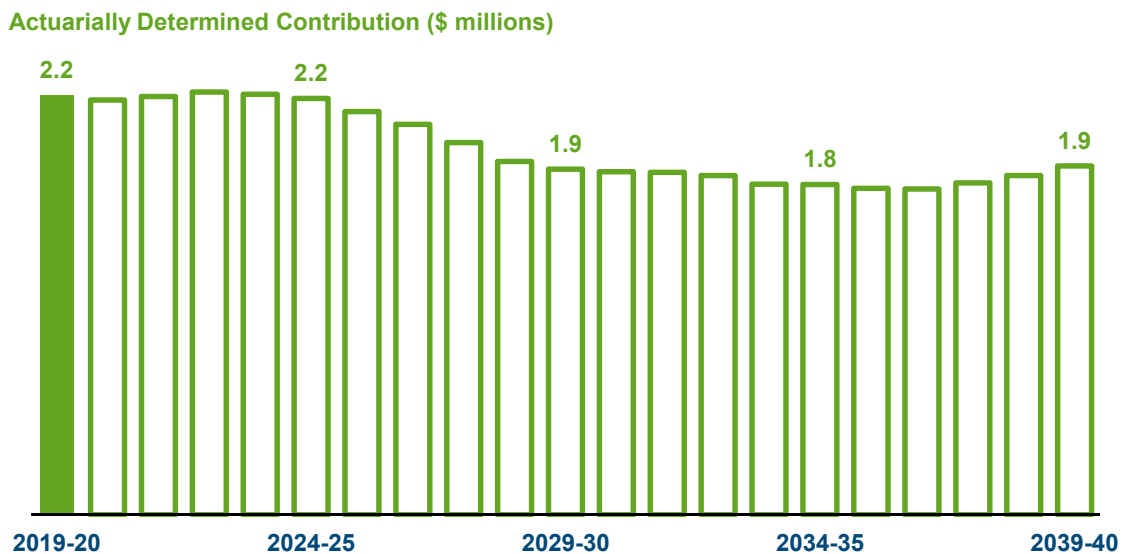
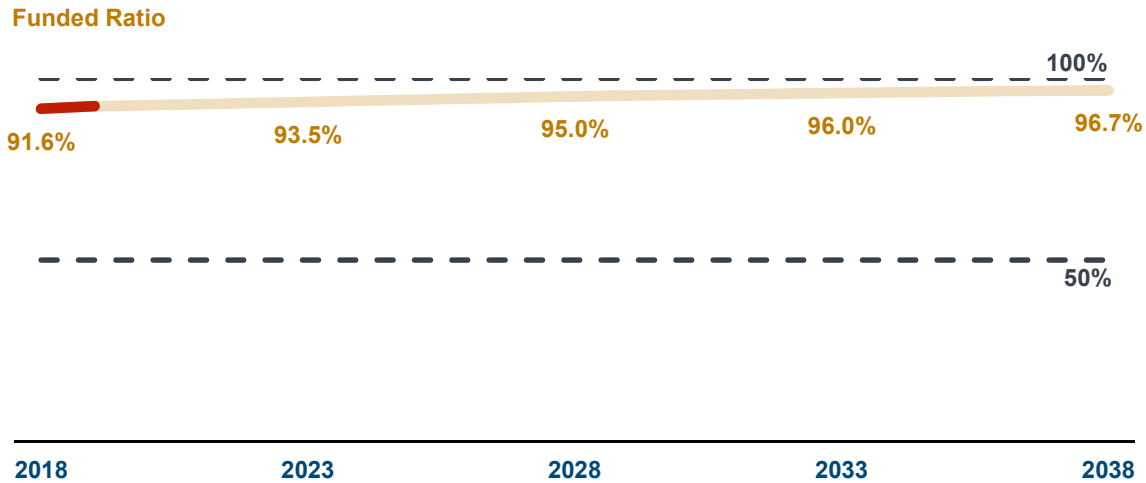
The Actuarially Determined Contribution consists of three pieces: a Normal Cost payment to fund the benefits earned each year, a Past Service Cost to gradually reduce any unfunded or surplus liability, and a Timing Adjustment to reflect the timing of the contribution relative to the valuation date.

The Actuarially Determined Contribution for fiscal year 2019-20 is shown graphically below, along with the comparable figures for the preceding four fiscal years. Note that the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance.



## Section I - Executive Summary Long-Range Forecast

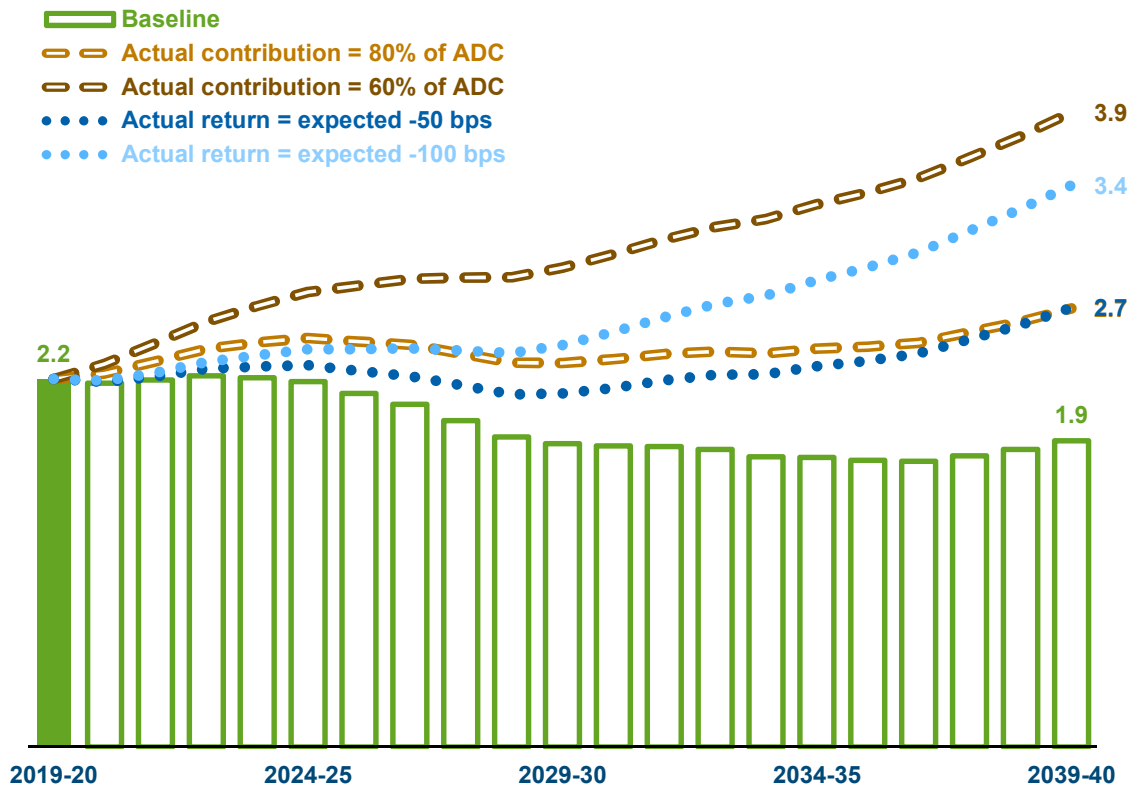
If the City pays the Actuarially Determined Contribution each year, the investments earn exactly the assumed interest rate each year, and there are no changes in the plan provisions or in the actuarial methods and assumptions, then we project the following changes in the plan's funded status and the long-range contribution levels:



To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Section III C for more details of the long range forecast.

## Section I - Executive Summary Long-Range Forecast (continued)

Pension benefits are paid for through a combination of contributions from the City and from employees, and from investment income. If the City pays less than the Actuarially Determined Contribution each year, or if the investments persistently earn less than the assumed interest rate, then the plan's funded status would suffer, and to compensate, the City's contribution levels would be pushed higher. The risks of underfunding and underearning are illustrated in the hypothetical scenarios below:



The scenarios illustrated above are based on deterministic projections that assume emerging plan experience always exactly matches the actuarial assumptions; in particular that actual asset returns will be constant in every year of the projection period. Variation in asset returns, contribution amounts, and many other factors may have a significant impact on the long-term financial health of the plan, the liquidity constraints on plan assets, and the City's future contribution levels. Stochastic projections could be prepared that would enable the City to understand the potential range of future results based on the expected variability in asset returns and other factors. Such analysis was beyond the scope of this engagement.

## Section I - Executive Summary Summary of Principal Results

<b>Membership as of</b>	<b>July 1, 2018</b>	<b>July 1, 2017</b>
Active Members	566	523
Inactive Members	74	67
Members in Pay Status	178	174
Total Count	818	764
 Payroll	 \$22,066,298	 \$19,996,361
 <b>Assets and Liabilities as of</b>	 <b>July 1, 2018</b>	 <b>July 1, 2017</b>
Market Value of Assets	\$69,292,281	\$63,418,939
Actuarial Value of Assets	70,830,614	66,218,281
 Accrued Liability for Active Members	 50,842,367	 52,289,978
Accrued Liability for Inactive Members	520,693	510,468
Accrued Liability for Members in Pay Status	25,952,047	25,422,969
Total Accrued Liability	77,315,107	78,223,415
 Unfunded Accrued Liability	 6,484,493	 12,005,134
 Funded Ratio	 91.6%	 84.7%
 <b>Actuarially Determined Contribution for Fiscal Year</b>	 <b>2019-20</b>	 <b>2018-19</b>
Normal Cost	\$1,537,000	\$1,363,000
Past Service Cost	669,000	1,245,000
Timing Adjustment	40,000	37,000
Actuarially Determined Contribution	2,246,000	2,645,000

## Section II - Plan Assets

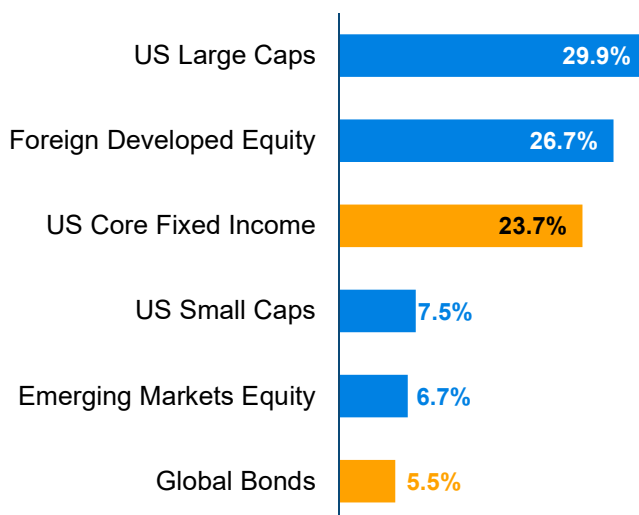
### A. Summary of Fund Transactions

<b>Market Value as of July 1, 2017</b>	<b>\$63,418,939</b>
City Contributions	2,206,000
Member Contributions	1,174,054
Net Investment Income	5,730,009
Benefit Payments	(3,189,658)
Administrative Expenses	(47,063)
<b>Market Value as of June 30, 2018</b>	<b>69,292,281</b>
Expected Return on Market Value of Assets	4,573,843
Market Value (Gain)/Loss	(1,156,166)
Approximate Rate of Return *	9.02%

\* The rate shown here is not the dollar or time weighted investment yield rate which measures investment performance. It is an approximate net return assuming all activity occurred on average midway through the fiscal year.

#### Target Asset Allocation as of June 30, 2018

- Equity
- Fixed Income
- Cash





## Section II - Plan Assets

### B. Development of Actuarial Value of Assets

In order to minimize the impact of market fluctuations on the contribution level, we use an Actuarial Value of Assets that recognizes gains and losses asymptotically over a five year period. The Actuarial Value of Assets as of July 1, 2018 is determined below.

---

1.	Expected Actuarial Value of Assets:	
	a. Actuarial Value of Assets as of July 1, 2017	\$66,218,281
	b. City and Member Contributions	3,380,054
	c. Benefit Payments and Administrative Expenses	(3,236,721)
	d. Expected Earnings Based on 7.20% Interest	4,853,583
	e. Expected Actuarial Value of Assets as of July 1, 2018	71,215,197
2.	Market Value of Assets as of July 1, 2018	69,292,281
3.	Unrecognized Gains/(Losses): (2) - (1e)	(1,922,916)
4.	Amount Recognized as of July 1, 2018: 20% of (3)	(384,583)
5.	Preliminary Actuarial Value of Assets as of July 1, 2018: (1e) + (4)	70,830,614
6.	Preliminary Actuarial Value of Assets as a % of Market Value: (5) / (2)	102.2%
7.	Actuarial Value of Assets as of July 1, 2018: (5), within +/- 20% of (2)	70,830,614
8.	Actual Earnings on Actuarial Value of Assets: (7) - [(1a) + (1b) + (1c)]	4,469,000
9.	Approximate Rate of Return on Actuarial Value of Assets	6.75%
10.	Actuarial Value (Gain)/Loss: (1d) - (8)	384,583

## Section III - Development of Contribution

### A. Past Service Cost

In determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level dollar amount over 15 years.

	July 1, 2018	July 1, 2017
1. Accrued Liability		
Active Members	\$50,842,367	\$52,289,978
Inactive Members	520,693	510,468
Service Retirees	18,574,653	25,422,969
Disabled Retirees*	1,476,130	0
Beneficiaries*	5,901,264	0
Total Accrued Liability	77,315,107	78,223,415
2. Actuarial Value of Assets (see Section IIB)	70,830,614	66,218,281
3. Unfunded Accrued Liability: (1) - (2)	6,484,493	12,005,134
4. Funded Ratio: (2) / (1)	91.6%	84.7%
5. Amortization Period	15	15
6. Amortization Growth Rate	0.00%	0.00%
7. Past Service Cost: (3) amortized over (5)	668,969	1,245,148

*\*July 1, 2017 report did not include breakdown, liabilities included in Service Retirees*

## Section III - Development of Contribution

### B. Actuarially Determined Contribution

	2019-20	2018-19
1. Total Normal Cost	\$2,659,584	\$2,569,361
2. Expected Member Contributions	1,172,819	1,246,147
3. Expected Administrative Expenses	50,000	40,000
4. Net Normal Cost: (1) - (2) + (3)	1,536,765	1,363,214
5. Past Service Cost (see Section IIIA)	668,969	1,245,148
6. Preliminary City Contribution: (4) + (5), rounded to \$1,000	2,206,000	2,608,000
7. Inflation Assumption	2.60%	2.75%
8. Timing Adjustment: (4) x (7)	40,000	37,000
9. Actuarially Determined Contribution: (6) + (8)	2,246,000	2,645,000

## Section III - Development of Contribution C. Long Range Forecast

This forecast is based on the results of the July 1, 2018 actuarial valuation and assumes that the City will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Valuation Date	Values as of the Valuation Date				Fiscal Year	Cash Flows Projected to the Following Fiscal Year			
	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio		City Contributions	Member Contributions	Benefit Payments	Net Cash Flows
7/1/2018	\$77,315,107	\$70,830,614	\$6,484,493	91.6%	2019-20	\$2,246,000	\$1,168,790	(\$4,081,001)	(\$666,211)
7/1/2019	81,623,000	75,380,000	6,243,000	92.4%	2020-21	2,221,000	1,152,000	(4,471,000)	(1,098,000)
7/1/2020	86,131,000	79,789,000	6,342,000	92.6%	2021-22	2,241,000	1,133,000	(4,810,000)	(1,436,000)
7/1/2021	90,533,000	84,103,000	6,430,000	92.9%	2022-23	2,265,000	1,114,000	(5,204,000)	(1,825,000)
7/1/2022	94,876,000	88,407,000	6,469,000	93.2%	2023-24	2,253,000	1,072,000	(5,630,000)	(2,305,000)
7/1/2023	99,094,000	92,643,000	6,451,000	93.5%	2024-25	2,230,000	1,047,000	(6,115,000)	(2,838,000)
7/1/2024	103,104,000	96,707,000	6,397,000	93.8%	2025-26	2,159,000	1,020,000	(6,564,000)	(3,385,000)
7/1/2025	106,806,000	100,527,000	6,279,000	94.1%	2026-27	2,091,000	999,000	(7,065,000)	(3,975,000)
7/1/2026	110,211,000	104,066,000	6,145,000	94.4%	2027-28	1,993,000	972,000	(7,564,000)	(4,599,000)
7/1/2027	113,239,000	107,257,000	5,982,000	94.7%	2028-29	1,892,000	961,000	(7,880,000)	(5,027,000)
7/1/2028	115,833,000	110,038,000	5,795,000	95.0%	2029-30	1,851,000	968,000	(8,129,000)	(5,310,000)
7/1/2029	118,238,000	112,579,000	5,659,000	95.2%	2030-31	1,837,000	972,000	(8,347,000)	(5,538,000)
7/1/2030	120,541,000	115,014,000	5,527,000	95.4%	2031-32	1,834,000	967,000	(8,600,000)	(5,799,000)
7/1/2031	122,793,000	117,391,000	5,402,000	95.6%	2032-33	1,817,000	961,000	(8,916,000)	(6,138,000)
7/1/2032	124,941,000	119,674,000	5,267,000	95.8%	2033-34	1,771,000	949,000	(9,151,000)	(6,431,000)
7/1/2033	126,860,000	121,770,000	5,090,000	96.0%	2034-35	1,768,000	960,000	(9,356,000)	(6,628,000)
7/1/2034	128,660,000	123,714,000	4,946,000	96.2%	2035-36	1,749,000	954,000	(9,535,000)	(6,832,000)
7/1/2035	130,387,000	125,594,000	4,793,000	96.3%	2036-37	1,744,000	976,000	(9,608,000)	(6,888,000)
7/1/2036	132,053,000	127,398,000	4,655,000	96.5%	2037-38	1,778,000	995,000	(9,678,000)	(6,905,000)
7/1/2037	133,828,000	129,271,000	4,557,000	96.6%	2038-39	1,816,000	1,012,000	(9,755,000)	(6,927,000)

**Section III - Development of Contribution**  
**D. History of Funded Status**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
July 1, 2018	\$70,830,614	\$77,315,107	\$6,484,493	91.6%
July 1, 2017	66,218,281	78,223,415	12,005,134	84.7%
July 1, 2016	61,912,878	71,139,979	9,227,101	87.0%
July 1, 2015	59,000,012	67,608,355	8,608,343	87.3%
July 1, 2014	55,266,448	62,320,000	7,053,552	88.7%
July 1, 2013	51,123,151	58,120,000	6,996,849	88.0%
July 1, 2012	48,073,977	54,525,000	6,451,023	88.2%
July 1, 2011	45,767,326	51,286,000	5,518,674	89.2%
July 1, 2010	43,117,822	47,910,000	4,792,178	90.0%

## Section III - Development of Contribution

### E. History of City Contributions

Fiscal Year	Actuarially Determined Contribution	Actual City Contribution	Payroll	Actual Contribution as a Percent of Payroll
2019-20	\$2,246,000	TBD	\$22,066,298	TBD
2018-19	2,645,000	TBD	19,996,361	TBD
2017-18	2,206,000	\$2,206,000	19,918,498	11.1%
2016-17	2,145,000	2,145,000	19,037,369	11.3%
2015-16	1,840,000	1,872,461	19,037,369	9.8%
2014-15	1,669,000	1,669,000	18,619,467	9.0%
2013-14	1,584,000	1,584,000	18,619,467	8.5%
2012-13	1,497,000	1,497,000	18,417,850	8.1%
2011-12	1,380,000	1,380,000	18,417,850	7.5%

## Section IV - Membership Data

### A. Reconciliation of Membership from Prior Valuation

Details of the changes in the Plan membership since the last valuation are shown below. Additional details on the Plan membership are provided in the remainder of Section IV.

	Active Members	Terminated Vested Members	Nonvested Members Due Refunds	Service Retirees	Disabled Retirees	Beneficiaries	Total
<b>Count July 1, 2017</b>	523	5	62	124	7	43	764
Terminated							
- due refund	(12)	-	12	-	-	-	0
- paid refund	(5)	-	(2)	-	-	-	(7)
- vested benefits due	-	-	-	-	-	-	0
Retired	(8)	(1)	-	9	-	-	0
Died							
- with beneficiary	(1)	-	-	(2)	-	2	(1)
- no beneficiary	-	-	-	(4)	-	(2)	(6)
Benefits expired	-	-	-	-	-	-	0
New member	68	-	-	-	-	-	68
Rehired	2	-	(2)	-	-	-	0
New Alternate Payee	-	-	-	-	-	-	0
Correction	(1)	3	(3)	1	-	-	0
<b>Count July 1, 2018</b>	566	7	67	128	7	43	818

**Section IV - Membership Data**  
**B. Statistics of Active Membership**

---

	<b>As of July 1, 2018</b>	<b>As of July 1, 2017</b>
<b>Number of Active Members</b>	566	523
<b>Average Age</b>	50.7	51.4
<b>Average Service</b>	12.9	13.4
<b>Total Payroll</b>	\$22,066,298	\$19,996,361
<b>Average Payroll</b>	38,986	38,234



## Section IV - Membership Data

### C. Statistics of Inactive Membership

	As of July 1, 2018	As of July 1, 2017
<b>Terminated Vested Members</b>		
Number	7	5
Total Annual Benefit	\$35,435	\$247,254
Average Annual Benefit	5,062	49,451
Average Age	56.0	53.1
<b>Nonvested Members Due Refunds</b>		
Number	67	62
<b>Service Retirees</b>		
Number	128	124
Total Annual Benefit	\$1,974,181	\$1,910,445
Average Annual Benefit	15,423	15,407
Average Age*	74.7	75.8
<b>Disabled Retirees</b>		
Number	7	7
Total Annual Benefit	\$137,043	\$143,142
Average Annual Benefit	19,578	20,449
Average Age	68.2	
<b>Beneficiaries</b>		
Number	43	43
Total Annual Benefit	\$844,624	\$858,853
Average Annual Benefit	19,642	19,973
Average Age	81.7	

*\*Individual breakdown not available for July 1, 2017- values shown are for all retirees/beneficiaries combined*

**Section IV - Membership Data**  
**D. Distribution of Inactive Members as of July 1, 2018**

	Age	Number	Annual Benefits
<b>Terminated Vested Members</b>	< 50	2	\$9,986
	50 - 59	3	16,988
	60 - 69	2	8,460
	70 - 79	0	0
	80 - 89	0	0
	90 +	0	0
	Total	7	35,435
<b>Service Retirees</b>	< 50	0	\$0
	50 - 59	2	61,597
	60 - 69	30	425,645
	70 - 79	63	935,804
	80 - 89	26	464,762
	90 +	7	86,373
	Total	128	1,974,181
<b>Disabled Retirees</b>	< 50	1	\$25,699
	50 - 59	2	57,298
	60 - 69	1	19,892
	70 - 79	1	7,138
	80 - 89	1	11,458
	90 +	1	15,558
	Total	7	137,043
<b>Beneficiaries</b>	< 50	0	\$0
	50 - 59	0	0
	60 - 69	6	151,349
	70 - 79	9	201,857
	80 - 89	20	384,250
	90 +	8	107,168
	Total	43	844,624

## Appendix A - Actuarial Funding Method

The actuarial funding method used in the valuation of this Plan is known as the Projected Unit Credit Cost Method. The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus a Timing Adjustment to reflect the timing of the contribution relative to the valuation date.

Under this cost method a projected retirement benefit at assumed retirement age is computed for each member. The Normal Cost for each member is computed as the present value of the pro-rata portion of the member's projected benefit which is accrued or earned during the plan year being valued. The normal cost of the plan is the total of the individually computed normal costs for all members. The Accrued Liability at any point in time for an active member is the present value of that portion of the projected benefit which has been accrued up to the valuation date. For members receiving benefits or entitled to a deferred benefit, the accrued liability is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of individually computed accrued liability amounts for all members.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The Unfunded Accrued Liability is the excess of the Accrued Liability over the assets which have been accumulated for the plan. This Unfunded Accrued Liability is amortized as a level dollar amount over an open period of 15 years.

The Actuarial Value of Assets is determined by recognizing market gains and losses asymptotically over a five year period; the result is constrained to within +/- 30% of the market value of assets as of the valuation date.

The long-range forecasts included in this report have been developed by assuming that members will terminate, retire, become disabled, and die according to the actuarial assumptions with respect to these causes of decrement, and that pay increases, cost of living adjustments, and so forth will likewise occur according to the actuarial assumptions. For those unions whose new employees are eligible to participate in this plan, members who are projected to leave active employment are assumed to be replaced by new active members with the same age, service, gender, and pay characteristics as those hired in the past few years, as well as incorporating the characteristics of the current active employees as a whole.

## Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

**Interest Rate** 7.10% (prior: 7.20%)

**Inflation Rate** 2.60% (prior: 2.75%)

**Rate of Increase for Part B Reimbursements** N/A (prior: 2.75%)

**Expenses** The average of the prior year two year's administrative expenses, rounded to the nearest \$1,000.

<b>Salary Scale</b>	<b>Age</b>	<b>Current Rate</b>	<b>Prior Rate</b>
	20	6.10%	6.25%
	25	6.10%	6.25%
	30	5.45%	5.60%
	35	4.80%	4.95%
	40	4.15%	4.30%
	45	3.50%	3.65%
	50	2.85%	3.00%
	55+	2.60%	2.75%

<b>Turnover</b>	<b>Age</b>	<b>Rate</b>
	20	5.44%
	25	4.89%
	30	3.70%
	35	2.35%
	40	1.13%
	45+	0.00%

**Retirement** Assumed rates of retirement after the completion of 10 years of service:

<b>Age</b>	<b>Rate</b>
60	20%
61	5%
62-69	20%
70	100%

An additional 50% probability of retirement is assumed after the completion of 25 years of service.

## Appendix B - Actuarial Assumptions

<b>Disability</b>	<b>Age</b>	<b>Rate</b>
	20	0.05%
	25	0.05%
	30	0.05%
	35	0.06%
	40	0.09%
	45	0.18%
	50	0.40%
	55	0.85%
	60	0.00%

All disabilities are assumed to be non-service related.

### **Mortality**

RP-2000 Blue Collar Combined Table, with separate tables for males and females and generational projection per Scale BB. This assumption includes a margin for future improvements in longevity.

All preretirement deaths are assumed to be non-service related.

### **Marital Status**

70% of active participants are assumed to be married. Female spouses are assumed to be 4 years younger than male spouses.

### **Pension Service Exchange and Payout Bank**

50% of retiring members are assumed to elect the maximum exchange (based on their current bank) and to elect a lump sum payout.

## Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

<b>Eligibility</b>	Members of the Custodians union hired after July 1, 2011 are not eligible to participate in the Plan. Members of the Security Workers and Educational Assistants unions are eligible to participate at hire.
<b>Pension Earnings</b>	Salary in the final year of employment.
<b>Normal Retirement Eligibility</b>	Age 60 with 10 years of service or 25 years of service.
<b>Normal Retirement Benefit</b>	Educational Assistants and Security Workers: 1.5% of pension earnings per year of service (maximum 33 years).  Custodians: 2.25% of pension earnings per year of service (maximum 33 years).
<b>Non-Service Disability Eligibility</b>	10 years of service.
<b>Non-Service Disability Benefit</b>	50% of Pension Earnings if less than 25 years of service; accrued retirement benefit if more than 25 years of service.
<b>Service Disability Eligibility</b>	No service requirement.
<b>Service Disability Benefit</b>	50% of Pension Earnings.
<b>Non-Service Preretirement Death Eligibility</b>	No service requirement.
<b>Non-Service Preretirement Death Benefit</b>	Return of contributions if less than 10 years of service; 50% of pension earnings with 10 years of service.
<b>Service Preretirement Death Eligibility</b>	No service requirement.
<b>Service Preretirement Death Benefit</b>	50% of Pension Earnings.
<b>Postretirement Death Benefit</b>	Lump sum equal to the excess, if any, of accumulated contributions over the total benefits paid to the member or survivors.

## Appendix C - Summary of Plan Provisions

<b>Vesting</b>	100% after 10 years of service.
<b>Termination Benefit</b>	If the member is not vested, the member is paid a refund of their accumulated contributions.
<b>Employee Contributions</b>	Active members contribute a percentage of salary:  Custodians: 7.00%  All others: 5.00%  No member contributions are made by employees with 33+ years of service.

### Vacation / Sick Leave Banks

<b>Group</b>	<b>Payout Bank Source</b>	<b>Additional Pension Credits Available</b>	
		<b>Vacation</b>	<b>Sick</b>
Custodians	Operating Budget	Yes	Yes
		<b>Eligibility Cutoff Date For</b>	
		<b>Vacation</b>	<b>Sick</b>
		07/01/1998	07/01/1998

Educational Assistants and Security Workers are not eligible for this additional retirement benefit.

The amount of the exchange bank is equal to the number of sick days subject to a 165 day maximum, plus vacation days. Employees can trade in up to 125 days of eligible time for additional pension credit. Each 25 days grants an additional 1.5% of salary up to a maximum of 7.5%. The remainder of the bank is paid out in a lump sum.

## Appendix D - Glossary

**Actuarial Cost Method** - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost.

**Accrued Liability** - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

**Actuarial Assumptions** - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the interest rate, salary scale, and rates of mortality, turnover and retirement.

**Actuarial Present Value of Benefits** - This is the present value, as of the valuation date, of future payments for benefits and expenses under the Plan, where each payment is: a) multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) discounted at the assumed interest rate.

**Actuarial Value of Assets** - This is the value of cash, investments and other property belonging to the plan, typically adjusted to recognize investment gains or losses over a period of years to dampen the impact of market volatility on the Actuarially Determined Contribution.

**Actuarially Determined Contribution (“ADC”)** - This is the employer’s periodic contributions to a defined benefit plan, calculated in accordance with actuarial standards of practice.

**Attribution Period** - The period of an employee’s service to which the expected benefit obligation for that employee is assigned. The beginning of the attribution period is the employee’s date of hire and costs are spread across all employment.

**Interest Rate** - This is the long-term expected rate of return on any investments set aside to pay for the benefits. In a financial reporting context (e.g., GASB 68) this is termed the Discount Rate.

**Normal Cost** - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

**Past Service Cost** - This is a catch-up payment to fund the Unfunded Accrued Liability over time (generally 10 to 30 years). A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each valuation date. Also known as the Amortization Payment.

**Return on Plan Assets** - This is the actual investment return on plan assets during the fiscal year.

**Unfunded Accrued Liability** - This is the excess of the Accrued Liability over the Actuarial Value of Assets.