

City of Monroe

Employees Retirement System

Seventy-Second Annual Actuarial Valuation

December 31, 2016



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January 31, 2018

Board of Trustees
City of Monroe Employees Retirement System
Monroe, Michigan

Dear Board Members:

Submitted in this report are the results of the Seventy-Second Annual Actuarial Valuation of the City of Monroe Employees Retirement System. The date of the valuation was December 31, 2016.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purpose of the valuation is to measure the System's funding progress and to determine the employer contribution rate for the fiscal year beginning July 1, 2018.

Please see the following page for additional disclosures required by the Actuarial Standards of Practice. To the best of our knowledge, this report is complete and accurate and the valuation was conducted in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with the applicable state statutes.

To the best of our knowledge, this report is complete and accurate and the valuation was conducted in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with the applicable state statutes. Mark Buis and James D. Anderson are Members of the American Academy of Actuaries (MAAA) who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It is our opinion that the actuarial assumptions used for the valuation are reasonable.

Respectfully submitted,

A handwritten signature in black ink that reads "Mark Buis".

Mark Buis, FSA, FCA, EA, MAAA

A handwritten signature in black ink that reads "James D. Anderson".

James D. Anderson, FSA, EA, MAAA

MB/JDA:sc

Additional Disclosures Required by Actuarial Standards of Practice

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as 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 this assignment, we did not perform an analysis of the potential range of future measurements.

The funded ratio reported in this valuation is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

The funded ratio is not appropriate for assessing the need for or amount of future contributions.

The funded ratio would be different if based on the market value of assets.

The contribution allocation procedure including the amortization period and method is set by the Board. The computed contribution rates shown on page A-1 may be considered as minimum contribution rates which comply with the Board's funding policy. Users of this should be aware that contributions made at those rates do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the system in excess of those presented in this report be considered.

This report should not be relied on for any purpose other than the purpose described in the primary communication.

The signing actuaries are independent of the plan sponsor.

The valuation was based upon information, furnished by the City, concerning Retirement System benefits, financial transactions, and individual active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided. This information is summarized in Section B.

Valuation results, comments and conclusion are contained in Section A.

This report relies on the actuarial cost methods and assumptions which are summarized in Section C.



SECTION A

VALUATION RESULTS, COMMENTS, RECOMMENDATIONS AND CONCLUSION

Funding Objective

The funding objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not result in intergenerational cost transfers. This objective is stated in the Retirement System Ordinance and meets the requirements of the Constitution of the State of Michigan.

Contribution Rates

The Retirement System is supported by member contributions, City contributions and investment return from Retirement System assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to:

- (1) cover the actuarial costs allocated to the current year by the actuarial cost methods described in Section C (the normal cost); and
- (2) finance over a period of future years the actuarial costs not covered by present assets and anticipated future normal costs (unfunded actuarial accrued liability).

Computed Contributions for the fiscal year beginning July 1, 2018 are shown on page A-2.

City's Computed Contributions for the Fiscal Year Beginning July 1, 2018

City's Contributions Expressed as Percents of Active Member Payroll - Weighted Averages					
Contributions for	General Members	Police Members	Fire Members	Hybrid Members	Total
Total Normal Cost	15.17 %	18.39 %	19.47 %	9.63 %	14.51 %
Member Contributions	(4.07)%	(5.39)%	(5.49)%	(3.73)%	(4.48)%
Employer Normal Cost	11.10 %	13.00 %	13.98 %	5.90 %	10.03 %
Amortization Amounts*	(31.01)%	26.99 %	70.47 %	(1.53)%	12.57 %
Employer Contribution Rate	0.00 %	39.99 %	84.45 %	4.37 %	22.60 %
Estimated Dollar Contribution	\$0	\$1,073,372	\$1,013,277	\$167,265	\$2,253,914

* The Unfunded Accrued Liability is amortized over a period of 23 years.

These amounts are for pension contributions only. Effective 1/1/2000, the Board decided that a minimum contribution rate of 4% per valuation group would be contributed to the Post-Retirement Health Care Fund.

All members of the Retirement System except police officers and firefighters are covered by Social Security. Social Security taxes are not included in the above amounts.

City's Computed Contributions For the Fiscal Year Beginning July 1, 2018 (Concluded)

Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. We recommend one of the following procedures.

- (1) Contribute dollar amounts at the end of each payroll period which are equal to the City's percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation.

- (2) Contribute the annual amounts to the designated fund from the following schedule:

<u>Group</u>	<u>Pension Fund</u>
General	\$ 0
Police	1,073,372
Fire	1,013,277
Hybrid	<u>167,265</u>
Total	\$ 2,253,914

These dollar amounts are derived by multiplying the City's percent-of-payroll contribution requirement by the projected valuation payroll for the fiscal year beginning July 1, 2018. The projected valuation payroll reflects the pay increase assumptions described on page C-8.

The above amounts (Methods 1 and 2) are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.62083% ($=0.0745 \div 12$) for each month of delay.

City's Computed Contributions - Comparative Schedule

Fiscal Year	Valuation Date	As Percents of Valuation Payroll					Valuation Payroll	Employer Contribution	
		General Members	Police and Fire Members	Water Dept. Members	Sewage Disposal Members	Hybrid Members		Computed	Actual
1988-89	1987	10.03 % (1,4)	12.62 %	13.07 % (1)	9.40 % (1,4)		\$ 7,082,224	\$ 850,875	\$ 850,875
1989-90	1988	8.39 % (1,4)	12.07 %	13.82 % (1)	11.77 % (1,4)		7,827,433	895,701	895,701
1990-91	1989	4.20 % (1,4)	13.43 % (1,4)	13.00 % (1,4)	9.35 % (1,4)		7,787,845	791,566	791,566
1991-92	1990 (2)	5.48 % (4)	9.24 %	10.64 %	7.78 % (4)		9,106,876	737,022	737,021
1992-93	1991	5.00 % (4,5)	5.45 % (4)	11.11 %	6.03 % (4)		8,817,472	551,961	551,961
1993-94	1992	5.00 % (4,5)	5.00 % (4,5)	10.45 %	6.61 % (4)		9,354,039	565,293	565,293
1993-94	1992 (2)	5.00 %	5.00 %	9.36 %	5.40 %		9,354,039	536,817	565,293
1994-95	1993	5.00 %	5.00 %	7.13 %	5.00 %		9,190,716	462,980	520,675
1994-95	1993 (1)	5.00 % (4,5)	5.00 % (4,5)	7.55 %	5.00 % (4,5)		9,190,716	520,675	520,675
1995-96	1994	4.00 % (4,5)	4.00 % (4,5)	5.07 %	4.00 % (4,5)		9,651,905	425,850	425,850
1996-97	1995 (1)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)		9,978,002	417,297	417,297
1997-98	1996	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)		10,172,609	317,709	317,709
1998-99	1997 (1)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)	4.00 % (4,5)	10,529,011	440,112	547,316
1999-00	1998 (1)	4.00 % (4,5)	4.00 % (4,5)			4.00 % (4,5)	10,584,002	442,412	426,131
2000-01	1999 (1)	0.00 % (4,5)	0.00 % (4,5)			0.32 % (4,5)	10,474,156	3,790	11,596
2001-02	2000 (1)	0.00 % (4,5)	0.00 % (4,5)			3.61 % (4,5)	11,856,866	67,664	0
2002-03	2001 (1)	0.00 % (4,5)	0.00 % (4,5)			0.00 % (4,5)	11,906,969	0	0
2003-04	2002 (1,2)	0.00 % (4,5)	0.00 % (4,5)			0.00 % (4,5)	12,514,944	0	0
2004-05	2003	0.00 % (4,5)	0.00 % (4,5)			0.00 % (4,5)	12,572,732	0	0
2005-06	2004	0.00 % (4,5)	8.28 % (4,5)			0.00 % (4,5)	13,015,919	479,028	479,028
2006-07	2004 (1)	0.00 % (4,5)	8.28 % (4,5)			0.00 % (4,5)	13,232,960	487,016	487,368
2007-08	2005 (1)	0.00 % (4,5)	21.31 % (4,5)			5.21 % (5)	13,232,960	1,444,879	1,444,880
2008-09	2006	0.00 % (4,5)	20.95 % (5)			5.07 % (5)	13,007,162	1,439,268	1,439,269
2009-10	2007	0.00 % (4,5)	20.92 % (5)			4.80 % (5)	13,371,922	1,483,539	1,483,539
2010-11	2008 (2)	0.00 % (4,5)	20.49 % (1,5)			2.74 % (5)	11,289,204	1,191,553	1,191,553
2011-12	2009 (2)	0.00 % (4,5)	22.67 % (5)			3.48 % (5)	11,061,644	1,274,568	1,274,568
2012-13	2010	0.00 % (4,5)	25.04 % (5)			3.83 % (5)	10,758,097	1,351,541	1,351,541
2013-14	2011	0.00 % (4,5)	36.24 % (5)			3.87 % (5)	9,636,542	1,488,154	1,488,054
2014-15	2012	0.00 % (4,5)	38.86 % (5)			4.12 % (5)	9,543,247	1,622,379	1,622,379
2015-16	2013	0.00 % (4,5)	40.36 % (5)			4.07 % (5)	9,524,423	1,695,874	1,695,874
2016-17	2014	0.00 % (4,5)	45.25 % (5)			4.06 % (5)	9,207,491	1,845,799	1,845,799 #
2017-18	2015	0.00 % (4,5)	40.87 % (5)			3.50 % (5)	9,469,543	1,830,651	
2018-19	2016 (2)	0.00 % (4,5)	53.72 % (5)			4.37 % (5)	9,204,828	2,253,914	

(1) After Retirement System amendments.

(2) After assumptions revised.

Scheduled contributions for the fiscal year.

(4) Reflects Temporary (Credit)/Charge.

(5) Minimum Contribution Rate per Board Resolution.

Present Value of Future Benefits and Accrued Liabilities

	General Members	Police Members	Fire Members	Hybrid Members	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$46,518,913	\$32,128,888	\$33,586,887	\$1,323,848	\$113,558,536
2. For vested terminated members	270,439	-	729,008	425,153	1,424,600
3. For present active members					
a. Value of expected future benefit payments	14,659,282	13,964,921	6,601,245	7,059,216	42,284,664
b. Value of future normal costs	1,452,388	4,148,400	1,686,715	2,770,252	10,057,755
c. Active member accrued liability: (a) - (b)	13,206,894	9,816,521	4,914,530	4,288,964	32,226,909
4. Total accrued liability	59,996,246	41,945,409	39,230,425	6,037,965	147,210,045
B. Present Assets (Funding Value)	69,661,328	31,674,324	26,930,771	6,933,482	135,199,905
C. Unfunded Accrued Liability: (A.4) - (B)	(9,665,082)	10,271,085	12,299,654	(895,517)	12,010,140
D. Funding Ratio: (B) / (A.4)	116.1%	75.5%	68.6%	114.8%	91.8%
E. Funded Ratio - Market Value Basis	111.6%	72.6%	66.0%	110.4%	88.3%

Funding Progress Tests

The Retirement System's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of active member payroll. If the contributions to the System are level in concept and soundly executed, the System will **pay all promised benefits when due -- the ultimate test of financial soundness.**

There is no single all-encompassing test to measure a Retirement System's funding progress and current funded status.

A traditional measure has been the relationship of valuation assets to actuarial accrued liabilities - a method that is influenced by the choice of actuarial cost method. This relationship is shown on page A-5.

We believe a better understanding of funding progress and status can be achieved using the following measures which are independent of the actuarial funding method. A year-by-year comparison of these measures is shown on page A-6 right.

TEST 1 - The ratio of valuation assets to the actuarial present value of vested benefits (APVVB) computed as if the Retirement System were terminated on the valuation date - a plan termination test. The ratio is expected to gradually increase in the absence of benefit improvements and changes in actuarial assumptions.

TEST 2 - The ratio of valuation assets to the actuarial present value of credited projected benefits (APVCPB) - a plan continuation test. The ratio is expected to gradually increase in the absence of benefit improvements and changes in actuarial assumptions.

TEST 3 - The ratio of the unfunded actuarial present value of credited projected benefits (UAPVCPB) to member payroll - a plan continuation test. In a soundly financed retirement system, the amount of the unfunded actuarial present value of credited projected benefits will be controlled and prevented from increasing in the absence of benefit improvements or strengthening of actuarial assumptions. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to gradually decrease in the absence of benefit improvements and changes in actuarial assumptions.

Funding Progress Measures - Comparative Schedule

(\$ amounts in thousands)

Valuation Date December 31	(1) Valuation Assets	(2) Member Payroll	(3) APVVB	(4) APVCPB	(5) UAPVCPB	Termination		
						Measure TEST 1 (1) ÷ (3)	Continuation Tests TEST 2 (1) ÷ (4)	TEST 3 (5) ÷ (2)
1989(1)	\$ 31,228	\$ 7,787	\$ 19,316	\$ 28,887	\$ (2,341)	161.7 %	108.1 %	-
1990(2)	34,603	9,107	21,491	31,119	(3,484)	161.0 %	111.2 %	-
1991	39,320	8,817	22,899	32,949	(6,371)	171.7 %	119.3 %	-
1992(3)	43,834	9,354	25,639	36,882	(6,952)	171.0 %	118.8 %	-
1993(1,2)	49,703	9,191	28,481	38,633	(11,070)	174.5 %	128.7 %	-
1994	54,055	9,652	31,254	42,409	(11,646)	173.0 %	127.5 %	-
1995(1)	59,462	9,978	33,285	45,707	(13,755)	178.6 %	130.1 %	-
1996	65,597	10,173	34,719	48,508	(17,089)	188.9 %	135.2 %	-
1997(1)	72,727	10,529	42,155	54,843	(17,884)	172.5 %	132.6 %	-
1998	83,049	10,584	42,305	55,146	(27,903)	196.3 %	150.6 %	-
1999(1)	94,155	10,474	45,827	58,143	(36,012)	205.5 %	161.9 %	-
2000(1)	104,266	11,857	50,310	64,229	(40,037)	207.2 %	162.3 %	-
2001(1)	110,126	11,907	53,161	67,124	(43,002)	207.2 %	164.1 %	-
2002(1,2)	110,362	12,515	59,278	76,417	(33,945)	186.2 %	144.4 %	-
2003	110,752	12,573	64,316	81,705	(29,047)	172.2 %	135.6 %	-
2004	111,524	13,016	72,927	93,215	(18,309)	152.9 %	119.6 %	-
2005(1,3)	118,935	13,233	77,866	97,222	(21,713)	152.7 %	122.3 %	-
2006	124,033	13,007	83,477	100,726	(23,307)	148.6 %	123.1 %	-
2007	130,366	13,372	87,361	106,681	(23,685)	149.2 %	122.2 %	-
2008(1,2,3)	130,512	11,289	95,032	111,661	(18,851)	137.3 %	116.9 %	-
2009(2)	131,184	11,062	99,789	115,213	(15,971)	131.5 %	113.9 %	-
2010	132,119	10,758	105,476	119,415	(12,704)	125.3 %	110.6 %	-
2011	131,234	9,637	111,010	124,343	(6,891)	118.2 %	105.5 %	-
2012	130,063	9,543	113,438	126,541	(3,522)	114.7 %	102.8 %	-
2013	130,300	9,524	116,527	128,719	(1,581)	111.8 %	101.2 %	-
2014	130,057	9,207	123,494	132,530	2,473	105.3 %	98.1 %	26.9 %
2015	133,737	9,470	125,818	133,862	125	106.3 %	99.9 %	1.3 %
2016	135,200	9,205	134,340	143,640	8,440	100.6 %	94.1 %	91.7 %

(1) After Retirement System amendments.

(2) Economic assumptions revised.

(3) Asset valuation method revised.

APVVB - actuarial present value of vested benefits (see page A-6 Left).

APVCPB - actuarial present value of credited projected benefits (see page A-6 Left).

UAPVCPB - unfunded actuarial present value of credited projected benefits (see page A-6 Left).

Development of Funding Value of Assets

Year Ended December 31	2014	2015	2016	2017	2018	2019	2020	2021	2022
A. Funding Value Beginning of Year	\$130,299,553	\$130,057,135	\$133,736,887						
B. Market Value End of Year	135,893,438	129,753,467	129,962,228						
C. Market Value Beginning of Year	135,144,666	135,893,438	129,753,467						
D. Non-Investment Net Cash Flow	(6,576,418)	(6,711,084)	(7,582,477)						
E. Investment Income									
E1. Market Total: B-C-D	7,325,190	571,113	7,791,238						
E2. Assumed Rate of Investment Return	7.50%	7.50%	7.50%						
E3. Amount for Immediate Recognition	9,525,851	9,502,619	9,745,924						
E4. Amount for Phased-In Recognition: E1-E3	(2,200,661)	(8,931,506)	(1,954,686)						
F. Phased-In Recog. of Investment Return									
F1. Current Year: (1/7) x E4	(314,380)	(1,275,929)	(279,241)						
F2. First Prior Year	1,513,456	(314,380)	(1,275,929)	\$ (279,241)					
F3. Second Prior Year	402,333	1,513,456	(314,380)	(1,275,929)	\$ (279,241)				
F4. Third Prior Year	(1,270,098)	402,333	1,513,456	(314,380)	(1,275,929)	\$ (279,241)			
F5. Fourth Prior Year	523,430	(1,270,098)	402,333	1,513,456	(314,380)	(1,275,929)	\$ (279,241)		
F6. Fifth Prior Year	1,309,406	523,430	(1,270,098)	402,333	1,513,456	(314,380)	(1,275,929)	\$ (279,241)	
F7. Sixth Prior Year	(5,355,998)	1,309,405	523,430	(1,270,101)	402,335	1,513,458	(314,381)	(1,275,932)	\$ (279,240)
F8. Total Recognized Investment Gain	(3,191,851)	888,217	(700,429)	(1,223,862)	46,241	(356,092)	(1,869,551)	(1,555,173)	(279,240)
G. Funding Value End of Year A+D+E3+F8	130,057,135	133,736,887	135,199,905						
H. Difference between Market & Funding Value	5,836,303	(3,983,420)	(5,237,677)	(4,013,815)	(4,060,056)	(3,703,964)	(1,834,413)	(279,240)	0
I. Recognized Rate of Return	5.0%	8.2%	7.0%						
J. Market Rate of Return	5.6%	0.4%	6.2%						

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (line E4) are phased-in over a closed 7-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. The Funding Value of Assets is **unbiased** with respect to Market Value. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for 6 consecutive years, it will become equal to Market Value.

Derivation of Experience Gain (Loss) Year Ended December 31, 2016

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Gains and losses are expected to cancel each other over a period of years but sizable year to year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

(1)	UAAL* at end of prior year	\$3,674,704
(2)	Total normal cost	1,327,336
(3)	Actual contributions	2,190,378
(4)	Interest accrual	243,824
(5)	Expected UAAL before changes	3,055,486
(6)	Change from Retirement System amendments and/or revised actuarial assumptions/methods	8,203,759
(7)	Expected UAAL after changes	11,259,245
(8)	Actual UAAL at end of year	12,010,140
(9)	Gain (loss) (7) - (8)	(750,895)
(10)	Gain (loss) as percent of actuarial accrued liabilities at start of year (\$137,411,591)	(0.5)%

* *Unfunded actuarial accrued liability.*

Date	Actuarial Gain (Loss)
December 31	as % of Beginning Accrued Liability
2007	0.3 %
2008	(8.0)%
2009	(2.9)%
2010	(3.0)%
2011	(4.8)%
2012	(2.6)%
2013	(1.6)%
2014	(3.2)%
2015	1.6 %
2016	(0.5)%

Comments, Recommendations and Conclusion

December 31, 2016

Comment A: Contribution requirements varied by group. The plan is approximately 91.8% funded on a system-wide basis. Total contribution requirements increased primarily due to changes in actuarial assumptions (described in Comment D). Shown below are the contribution requirements from last year's valuation compared to this year's valuation.

	Employer Contribution for	
	Fiscal Year Beginning	
	July 1, 2017	July 1, 2018
General	\$ -	\$ -
Police	911,999	1,073,372
Fire	796,850	1,013,277
Hybrid	121,802	167,265
Total	\$ 1,830,651	\$ 2,253,914

Comment B: On a market value basis, investment results were less favorable than expected, with approximately a 6.2% rate of return (see page A-7). However, under the asset valuation method, investment gains and losses are spread over a 7-year period. Partial recognition of this year's loss was combined with the continued phase-in of investment gains and losses from prior years resulting in a net recognized rate of return of 7.0%, leading to an overall asset loss on the actuarial value of assets. The overall experience gain (loss) this year (including liability gains and losses) was \$(750,895) (see page A-8).

Comment C: As of this valuation, the Funding Value of assets exceeds the Market Value by \$5.2 million. This means that currently there is \$5.2 million in investment losses yet to be recognized. The deferred losses will be phased-in over the next six years and amortized. If the Market Value had been used this year, the funded status would be about 88.3% instead of 91.8%.

Comments, Recommendations and Conclusion

December 31, 2016

Comment D: Actuarial assumptions were updated following the preparation of a review of system experience dated July 26, 2016. In particular:

- The investment return assumption was lowered from 7.50% to 7.45% (this assumption will be lowered by 5 basis points in each of the next 4 valuations until it reaches 7.25%),
- The wage inflation assumption was lowered from 3.50% to 3.25%,
- A price inflation assumption 2.75% was adopted,
- The FAC loading factor for some groups was increased,
- The retirement rate assumption was increased for General, Police, and Fire members and decreased for Hybrid members,
- The turnover rate assumption was increased for Fire members and decreased for General members,
- The disability rate assumption was increased for General members,
- The merit and longevity salary rate assumptions were lowered, and
- The rates of mortality were updated to a version of the RP-2014 fully generational tables, including the use of the MP-2016 mortality improvement scale. (More information can be found on page C-5.)

Recommendation: The actuary recommends that transfers be made from the reserve for employer contributions to the reserve for retired benefit payments, as shown below:

	Reserve for Employer Contributions		
	Balance Before Transfer	Amounts Transferred to Reserve for Retired Benefit Payments	Balance After Transfer
General	\$20,631,739	\$ 3,615,339	\$ 17,016,400
Police & Fire	(7,839,391)	4,800,998	(12,640,389)
Hybrid	2,824,843	(523,394)	3,348,237
Total	\$15,617,191	\$ 7,892,943	\$ 7,724,248

The computed employer contribution rates developed in this report assume that these transfers have been made.

The table above shows appropriate beginning reserve balances at 1/1/2017 for each valuation group.

Conclusion: The Retirement System continues to operate in accordance with the actuarial principles of level percent of payroll financing.

Actuarial Balance Sheet - December 31, 2016

(\$ amounts in thousands)

Present Resources and Expected Future Resources

	General Members	Police Members	Fire Members	Hybrid Members	Total
A. Actuarial value of system assets					
1. Net assets from system financial statements	\$66,963	\$30,447	\$25,887	\$6,665	\$129,962
2. Market value adjustment	2,699	1,227	1,043	269	5,238
3. Actuarial value of assets	69,662	31,674	26,930	6,934	135,200
B. Actuarial present value of expected future employer contributions					
1. For normal costs	1,054	2,837	1,186	1,631	6,708
2. For unfunded actuarial accrued liabilities	(9,665)	10,271	12,300	(896)	12,010
3. Total	(8,611)	13,108	13,486	735	18,718
C. Actuarial present value of expected future member contributions	397	1,312	502	1,139	3,350
D. Total Present and Expected Future Resources	\$61,448	\$46,094	\$40,918	\$8,808	\$157,268

Actuarial Present Value of Expected Future Benefit Payments and Reserves

A. To retirants and beneficiaries	\$46,519	\$32,129	\$33,587	\$1,324	\$113,559
B. To vested terminated members	270	0	729	425	1,424
C. To present active members					
1. Allocated to service rendered prior to valuation date	13,207	9,817	4,915	4,289	32,228
2. Allocated to service likely to be rendered after valuation date	1,452	4,148	1,687	2,770	10,057
3. Total	14,659	13,965	6,602	7,059	42,285
D. Total Actuarial Present Value of Expected Future Benefit payments	61,448	46,094	40,918	8,808	157,268
E. Total Actuarial Present Value of Expected Future Payments and Reserves	\$61,448	\$46,094	\$40,918	\$8,808	\$157,268

Note: Not all sums balance due to rounding.

20-Year Projection of Benefit Payments

Year	Projected Benefit Payment
2017	\$ 9,758,762
2018	10,024,006
2019	10,301,849
2020	10,625,114
2021	10,929,499
2022	11,195,770
2023	11,452,663
2024	11,740,967
2025	12,059,088
2026	12,393,273
2027	12,696,411
2028	12,946,408
2029	13,159,151
2030	13,339,326
2031	13,516,500
2032	13,639,304
2033	13,745,560
2034	13,807,694
2035	13,829,218
2036	13,817,147

SECTION B

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Brief Summary* of Non-Hybrid Benefit Provisions December 31, 2016

REGULAR RETIREMENT (no reduction factor for age): The eligibility conditions and benefit factors for regular retirement are shown on page B-5.

EARLY RETIREMENT

Eligibility - Teamsters Local 214 and COMEA Unit I and II: Age 50 with 10 or more years of service.

Annual Amount - Actuarial equivalent of the accrued Regular Retirement benefit.

DEFERRED RETIREMENT (vested benefit):

Eligibility - 10 or more years of service. Benefit begins at age 60.

Annual Amount - Computed as a regular benefit but based upon service and final average compensation at time of termination.

DUTY DISABILITY RETIREMENT:

Eligibility - No age or service requirements. Must be in receipt of worker's compensation.

Annual Amount - Computed as a regular retirement. If a retirant is paid a worker's compensation benefit which is more than the difference between the retirant's final average compensation and the amount of retirement allowance computed the amount of the retirement allowance shall be reduced to the amount which is the difference between final average compensation and the worker's compensation benefit. The reduction shall continue for the worker's compensation period. Upon termination of worker's compensation or attainment of age 65, whichever occurs first, additional service credit is granted and the benefit is recomputed.

NON-DUTY DISABILITY RETIREMENT:

Eligibility - 10 or more years of service.

Annual Amount - Computed as a regular retirement.

DUTY DEATH BEFORE RETIREMENT:

Eligibility - No age or service requirements.

Annual Amount - Refund of member contributions paid at time of death. A benefit equal to the worker's compensation benefit is paid beginning at the end of the worker's compensation period. Payments to spouse terminate upon remarriage or death.

* In case of disagreement between this summary and either City ordinance or labor agreements, the latter supersedes.

Brief Summary* of Non-Hybrid Benefit Provisions December 31, 2016 (Concluded)

NON-DUTY DEATH BEFORE RETIREMENT:

Eligibility - 10 years of service.

Annual Amount - Computed according to the regular retirement formula but actuarially reduced in accordance with Joint and 100% Survivor option.

MEMBER CONTRIBUTIONS: Vary by employment unit as shown on page B-5.

ANNUITY WITHDRAWAL: Annuity withdrawal is not available to persons hired January 1, 1989 and later. Members of the police and fire units of the City may withdraw their accumulated contributions at the time of retirement. The retirement allowances of such members will be reduced in accordance with the interest and mortality assumptions (50% Unisex Mix) used in calculating option factors as of December 31, preceding the date of retirement.

OPTIONAL FORMS OF BENEFIT PAYMENT:

Option A - Straight life retirement allowance

Option B - 100% survivor allowance

Option C - 50% survivor allowance

Option D 120 - 120 months certain and life

Option D 180 - 180 months certain and life

Option E - Members electing early retirement may choose to have the formula amount payable to age 62 (if possible) and a reduced amount thereafter. Option E cannot be elected in conjunction with another option, and does not provide a survivor benefit.

Social Security Coordination - Members covered by Social Security may elect to receive their benefit paid in a form that pays more initially but reduces at age 65 by the amount of the estimated Social Security P.I.A.

Benefit amounts under these optional forms of payment are calculated using a unisex mortality table consisting of 90% male mortality rates and 10% female rates.

** In case of disagreement between this summary and either City ordinance or labor agreements, the latter supersedes.*

Brief Summary* of Hybrid Benefit Provisions (That Became Effective May 1, 1997) December 31, 2016

REGULAR RETIREMENT (no reduction for age):

Eligibility - Age 60 with 10 or more years of service or age 62 with 3 or more years of service.

Benefits -

- (1) *Monthly Benefit Option* equal to the greater of (a) and (b):
 - (a) 1.5% times Final Average Compensation (FAC) times service, plus Cost-of-Living Adjustment (COLA).
 - (b) Annuitized Value of 2.0 times member contributions with interest plus COLA.
- (2) *Lump Sum Option* equal to 1.5 times member contributions with interest.

EARLY RETIREMENT:

Eligibility - Age 55 with 15 or more years of service.

Benefits -

- (1) *Monthly Benefit Option* equal to the annuitized value of 1.5 times member contributions with interest plus COLA.

DEFERRED RETIREMENT (vested benefit):

Eligibility - 3 or more years of service. No age requirement.

Benefits - *Immediate Option* equal to a lump sum distribution in accordance with the following:

Years of Service	Immediate Lump Sum
Less than 3	1.0 times member contributions with interest
At least 3, but less than 7	1.25 times member contributions with interest
7 or more	1.5 times member contributions with interest

OR

Deferred Option: Member can leave own contributions and the credited interest on them in the plan to earn additional interest until retirement, then elect either the Monthly Benefit Option or the Lump Sum Option described under Regular Retirement.

* In case of disagreement between this summary and either City ordinance or labor agreements, the latter supersedes.

Brief Summary* of Hybrid Benefit Provisions That Became Effective May 1, 1997 December 31, 2016

DISABILITY RETIREMENT (the same provisions apply to duty and non-duty disabilities):

Eligibility - No age or service requirements.

Benefits - Payable in accordance with the following:

Years of Service	Benefit Payable (includes COLA)
Less than 3	1.0% times FAC times Service
At least 3, but less than 7	1.25% times FAC times Service
7 or more	1.5% times FAC times Service

DEATH BEFORE RETIREMENT:

Eligibility - No age or service requirements.

Benefits - 1.0 times member contribution with interest is payable to the deceased member's beneficiary. In addition, if the member had at least 3 years of service at death, the beneficiary will receive the greater of (a) and (b):

- (a) If monthly worker's compensation benefits were being paid prior to the member's death, the Retirement System will continue to pay the same amount to the beneficiary on a monthly basis.
- (b) A life annuity to the beneficiary of 1.5% times the member's FAC (just prior to death) times service.

Note: The monthly amounts from (a) and (b) include COLAs.

RETIREEES' BURIAL BENEFIT:

Eligibility - The death of a member who is receiving monthly retirement benefits.

Benefits - A one-time cash payment of \$2,500.

SPECIAL NOTES:

COLAs - The percent increase in the CPI up to 2%.

Interest on Member Contributions - The annual rate of return on the market value of the Fund-1%.

* In case of disagreement between this summary and either City ordinance or labor agreements, the latter supersedes.

Benefit Provisions by Unit

December 31, 2016

Unit Name	No.	GRS Code	Eligibility	FAC ⁽¹⁾		Retirement Benefit		Employee Contrib.
				Months In	Lump Sums	PCT	COLA ⁽²⁾	
General Unit I	9	11	55 & 25, 60 & 10 or 65 & 5	36	Y	2.2%	2% Fixed	4%
General Unit II	2	36	55 & 25, 60 & 10, 65 & 5	36	Y	2.2%	2% CPI	4%
General Teamsters	6	19	60 & 10, 65 & 5, 80 pts	48	Y	2.2%	2% Fixed	5%
Water Unit I	2	14	55 & 25, 60 & 10 or 65 & 5	36	Y	2.2%	2% Fixed	4%
Water Unit II	1	37	55 & 25, 60 & 10, 65 & 5	36	Y	2.2%	2% CPI	4%
Water Teamsters	4	15	60 & 10, 65 & 5, 80 pts	48	Y	2.2%	2% Fixed	5%
Sewage Unit 1	3	17	55 & 25, 60 & 10 or 65 & 5	36	Y	2.2%	2% Fixed	4%
Sewage Unit II	1	38	55 & 25, 60 & 10, 65 & 5	36	Y	2.2%	2% CPI	4%
Sewage Teamsters	4	16	60 & 10, 65 & 5, 80 pts	48	Y	2.2%	2% Fixed	5%
Police Patrol	13	22	50 & 25, 55 & 10, or 60 & 5	36	Y ⁽⁴⁾	2.65% (80% cap)	3% CPI	5.5%
Police Patrol (Hired on or After 7/1/2008)	16	22	55 & 10, or 60 & 5	36	N	2.0%/2.25% ⁽⁵⁾ (80% cap)	2% CPI	5.5%
Police Command	8	23	50 & 25, 55 & 10, or 60 & 5	36	Y ⁽³⁾	2.65% (80% cap)	3% CPI	5.5%
Police Command (Hired on or After 7/1/2008)	0	23	55 & 10, or 60 & 5	36	N	2.0%/2.25% ⁽⁵⁾ (80% cap)	2% CPI	5.5%
Fire	10	33	50 & 25, 55 & 10, or 60 & 5	36	Y ⁽³⁾	2.65% (80% cap)	3% CPI	5.5%
Fire (Hired on or After 7/1/2008)	7	33	55 & 10, or 60 & 5	36	N	2.0%/2.25% ⁽⁵⁾ (80% cap)	2% CPI	5.5%
Appointed/Confidential	3	35	55 & 15, 60 & 10, 65 & 5	36	Y	2.2%	2% Fixed	2%
Elected	0	34	55 & 25, 60 & 10, 65 & 5	36	Y	2.2%	No	2%
Appointed/Elected Hybrid	11	50+	60 & 10 or 62 & 3	36	Y	1.5%	2% CPI	2%
Hybrid	64	50+	60 & 10 or 62 & 3	36	Y	1.5%	2% CPI	4%

Total Active Members 164

⁽¹⁾ Final Average Compensation. The benefit multiplier times FAC times credited service is the amount of retirement allowance payable. For Police and Fire members hired prior to 7/1/2008, FAC is frozen at 30.2 years of service. For Police and Fire members hired on or after 7/1/2008, FAC is frozen at 37.2 years of service.

⁽²⁾ Cost-of-Living Adjustments (COLAs) apply beginning on the anniversary of retirement following 12 months of receiving benefits. COLAs are either fixed at the stated rate or equal to the lesser of the stated rate and the annual increase in the CPI-U for the preceding calendar year. COLAs are not compounded each year.

⁽³⁾ Police Command and Fire receive three years Sick Pay Bonus included in FAC due to an Arbitration Award which was effective 7/1/1998. However, they do not have vacation pay-off included in FAC. Effective 1/1/2012, FAC for Police Command and Fire will not include more than 200 hours per year of overtime.

⁽⁴⁾ Effective 7/1/2009, Police Patrol will receive three years Sick Pay Bonus included in FAC, for members hired prior to 7/1/2008. However, they do not have vacation pay included in FAC. Effective 8/15/2011, FAC for Police will not include more than 200 hours per year of overtime.

⁽⁵⁾ The pension multiplier for employees hired on or after 7/1/2008 will be 2.0% of the employee's FAC for the first 15 years of service, and 2.25% for each year thereafter.

Sample Benefit Computations for *GENERAL* Member Retiring December 31, 2016

Data:

A.	<u>\$45,000</u>	Final Average Compensation
B.	<u>32</u>	Years of Credited Service
C.	<u>60</u>	Age of Retirant
D.	<u>55</u>	Age of Spouse
E.	<u>100%</u>	Percentage of Pension to Continue to Spouse after retirant's death (Retirant makes this choice)

Computations:

	Annual Amount
F. Formula Benefit: $0.022 \times 32 \text{ yrs.} \times \$45,000 =$	\$31,680
G. Reduction for Line E Election $(1-0.84909)^* \times (F) =$	<u>4,781</u>
H. Benefit Payable to Retirant while Spouse is Alive: F-G	\$26,899
I. Benefit Payable to Spouse after Retirant's Death	\$26,899
J. Benefit Payable to Retirant after Spouse's Death	\$26,899

Projected Benefits:

Year Ended December 31	Retirant's Benefit (Retirant & Spouse Alive)	Spouse's Benefit (After Retirant's Death)	Retirant's Benefit (After Spouse's Death)
2017	\$26,899	\$26,899	\$26,899
2018	27,437	27,437	27,437
2019	27,975	27,975	27,975
2020	28,513	28,513	28,513
2021	29,051	29,051	29,051
2022	29,589	29,589	29,589
2023	30,127	30,127	30,127
2024	30,665	30,665	30,665
2025	31,203	31,203	31,203
2026	31,741	31,741	31,741

* Factors effective January 1, 2011.

In each succeeding year the amount increases by \$538 (amount may vary if CPI applies).

The benefits of elected members do not increase.

Sample Benefit Computations for *POLICE* Member Retiring December 31, 2016 (and hired before July 1, 2008)

Data:

A.	<u>\$45,000</u>	Final Average Compensation (FAC)
B.	<u>30.2</u>	Years of Credited Service
C.	<u>55</u>	Age of Retirant
D.	<u>50</u>	Age of Spouse
E.	<u>25,000</u>	Annuity Withdrawal at Retirement (Available if hired before 1989)
F.	<u>100%</u>	Percentage of Pension to Continue to Spouse after retirant's death (Retirant makes this choice)

Computations:

	<u>Annual Amount</u>
G. Formula Benefit: $(0.0265 \times 30.2 \text{ yrs.}) \times \$45,000 =$ (Benefit is capped at 80% of FAC)	\$36,000
H. Reduction for Annuity Withdrawal: $0.00736^* \times 12 \times 25,000 =$	2,208
I. Reduction for Line F Election $(1-0.88472)^* \times (G-H)$	<u>3,896</u>
J. Benefit Payable to Retirant while Spouse is Alive: G-H-I	\$29,896
K. Benefit Payable to Spouse after Retirant's Death	\$29,896
L. Benefit Payable to Retirant after Spouse's Death	\$29,896

Projected Benefits:

Year Ended December 31	Retirant's Benefit (Retirant & Spouse Alive)	Spouse's Benefit (After Retirant's Death)	Retirant's Benefit (After Spouse's Death)
2017	\$29,896	\$29,896	\$29,896
2018	30,793	30,793	30,793
2019	31,690	31,690	31,690
2020	32,587	32,587	32,587
2021	33,484	33,484	33,484
2022	34,381	34,381	34,381
2023	35,278	35,278	35,278
2024	36,175	36,175	36,175
2025	37,072	37,072	37,072
2026	37,969	37,969	37,969

* Factors effective January 1, 2011.

In each succeeding year, the amount payable increases by \$897.

Sample Benefit Computations for *FIRE* Member Retiring December 31, 2016 (and hired before July 1, 2008)

Data:

A.	<u>\$45,000</u>	Final Average Compensation (FAC)
B.	<u>30.2</u>	Years of Credited Service
C.	<u>55</u>	Age of Retirant
D.	<u>50</u>	Age of Spouse
E.	<u>25,000</u>	Annuity Withdrawal at Retirement (Available if hired before 1989)
F.	<u>100%</u>	Percentage of Pension to Continue to Spouse after retirant's death (Retirant makes this choice)

Computations:

	Annual Amount
G. Formula Benefit: $(0.0265 \times 30.2 \text{ yrs.}) \times \$45,000 =$ (Benefit is capped at 80% of FAC)	\$36,000
H. Reduction for Annuity Withdrawal: $0.00736^* \times 12 \times 25,000 =$	2,208
I. Reduction for Line F Election $(1-0.88472)^* \times (G-H)$	<u>3,896</u>
J. Benefit Payable to Retirant while Spouse is Alive: G-H-I	\$29,896
K. Benefit Payable to Spouse after Retirant's Death	\$29,896
L. Benefit Payable to Retirant after Spouse's Death	\$29,896

Projected Benefits:

Year Ended December 31	Retirant's Benefit (Retirant & Spouse Alive)	Spouse's Benefit (After Retirant's Death)	Retirant's Benefit (After Spouse's Death)
2017	\$29,896	\$29,896	\$29,896
2018	30,793	30,793	30,793
2019	31,690	31,690	31,690
2020	32,587	32,587	32,587
2021	33,484	33,484	33,484
2022	34,381	34,381	34,381
2023	35,278	35,278	35,278
2024	36,175	36,175	36,175
2025	37,072	37,072	37,072
2026	37,969	37,969	37,969

* Factors effective January 1, 2011.

In each succeeding year, the amount payable increases by \$897.

Sample Benefit Computations for *HYBRID* Member Terminating December 31, 2016 (Assumes Continuous Hybrid Coverage from Date of Hire)

Data:

A.	\$28,000	Final Average Compensation
B.	10	Years of Credited Service
C.	35	Age of Member; Spouse's Age = 30
D.	\$11,200	Estimated Accumulated 4% Member Contributions

Hybrid Alternatives:

- A. Take a one-time cash distribution of 1.5 times \$11,200 = \$16,800, at age 35. (Plan will not owe Member any other benefits.)
- B. Leave \$11,200 in Plan until age 60:
Assume the Accumulated Member Contributions are credited with 6.5% return each year: the \$11,200 grows to \$54,070.

Choice B1: **Cash option** of 1.5 times \$54,070 = \$81,105
No further benefits are payable

Choice B2: **Annual pension benefit** = the greater of
(a) 1.5% x 10 years x \$28,000 = \$4,200 OR
(b) 2 x \$54,070 / 12.2104# = \$8,856

plus cost-of-living adjustment* (COLA) each July 1 after one year of retirement.

Assume Member elects B2 under the Joint & 100% Survivor form of benefit and COLA rate = 2% each year:

$$\$8,856 \times 0.84909 = \$7,520$$

* COLA rate = lesser of 2% or the rate of change in the CPI in the prior calendar year; COLA rate is applied to benefit paid the prior July 1.

Factors effective January 1, 2011.

Projected Benefits:

Year Ended December 31	Retirant's Benefit (Retirant & Spouse Alive)	Spouse's Benefit (After Retirant's Death)	Retirant's Benefit (After Spouse's Death)
2041	\$7,520	\$7,520	\$7,520
2042	7,670	7,670	7,670
2043	7,820	7,820	7,820
2044	7,970	7,970	7,970
2045	8,120	8,120	8,120

In each succeeding year, the amount payable increases (in this illustration) by \$150 (amount may vary if CPI applies).

Sample Benefit Computations for *HYBRID* Member Retiring December 31, 2016 (Assumes Continuous Hybrid Coverage from Date of Hire)

Data:

A.	\$45,000	Final Average Compensation
B.	32	Years of Credited Service
C.	60	Age of Member; Spouse's Age = 55
D.	\$57,600	Estimated Accumulated 4% Member Contributions

HYBRID ALTERNATIVES:

- A. Take a one-time **cash distribution** of 1.5 times \$57,600 = \$86,400, at age 60. (Plan will not owe Member any other benefits.)
- B. Elect a **annual pension benefit** = the greater of
 - (a) 1.5% x 32 years x \$45,000 = \$21,600 OR
 - (b) 2 x \$57,600 / 12.2104# = \$9,435
 plus cost of living adjustment* (COLA) each July 1 after one year of retirement.

Assume Member elects B under the Joint & 100% Survivor form of benefit and COLA rate = 2% each year:

$$\$21,600 \times .84909 = \$18,340$$

* COLA rate = lesser of 2% or the rate of change in the CPI in the prior calendar year; COLA rate is applied to benefit paid the prior July 1.

Factors effective January 1, 2011.

Projected Benefits:

Year Ended December 31	Retirant's Benefit (Retirant & Spouse Alive)	Spouse's Benefit (After Retirant's Death)	Retirant's Benefit (After Spouse's Death)
2017	\$18,340	\$18,340	\$18,340
2018	18,707	18,707	18,707
2019	19,074	19,074	19,074
2020	19,441	19,441	19,441

In each succeeding year, the amount payable increases (in this illustration) by \$367 (amount may vary if CPI applies).

Summary of Reported Assets as of December 31, 2016

The ledger balances of the Retirement System as of December 31, 2016 were reported to the actuary to total \$129,962,228, as follows:

Accounts	December 31, 2016	December 31, 2015
Reserve for Employees' Contributions		
General members	\$ 3,427,319	\$ 3,608,432
Police and Fire members	3,259,333	3,601,108
Hybrid members	1,992,792	1,909,185
Totals	8,679,444	9,118,725
Reserve for Employer Contributions		
General members	20,631,739	19,232,024
Police and Fire members	(7,839,391)	(2,364,115)
Hybrid members	2,824,843	1,924,222
Totals	15,617,191	18,792,131
Reserve for Retired Members' Benefits	105,665,593	101,560,850
Reserve for DROP Accounts	0	281,761
Reserve for Market Value Difference	0	0
Market Value of Assets	\$129,962,228	\$129,753,467

Summary of Financial and Actuarial Information

Revenues and Expenditures

	Year Ended December 31	
	2016	2015
REVENUES:		
a. Member contributions	\$ 432,712	\$ 448,012
b. City contributions	1,757,666	1,672,297
c. Investment income		
1. Interest and dividends	1,883,992	2,011,995
2. Gain or (loss) on sales	6,707,244	(567,167)
3. Asset appreciation	20,111	8,230
d. Total revenues	10,801,725	3,573,367
EXPENDITURES:		
a. Refunds of member contributions	25,682	4,205
b. Annuity withdrawal	0	0
c. Retirement benefits paid	9,747,173	8,827,188
d. Administrative expense/Miscellaneous	130,642	110,200
e. Investment expense	689,467	771,745
f. Total expenditures	10,592,964	9,713,338
RESERVE INCREASE:		
Total revenues minus total expenditures	\$ 208,761	\$ (6,139,971)

* Includes Administrative expenses.

Market Value of Assets

	2016	2015
Cash	\$ 4,389	\$ 3,449
Receivables/Payables	(131,211)	(83,179)
Other short-term	1,879,970	1,892,968
Accrued interest and dividends	357,667	381,137
Bonds - government	12,046,542	11,282,409
- corporate	21,177,038	24,195,340
- mortgages and foreign bonds	15,135,254	10,537,981
- other bonds	0	0
Stocks - common	29,475,179	28,002,037
- preferred	0	0
- other stocks	44,284,678	44,251,964
Real estate investments	5,732,722	9,289,361
Other assets	0	0
Total Market Value of Assets	129,962,228	129,753,467
Increase in Assets		
From reserve increase	208,761	(6,139,971)
Unreconciled difference	0	0

In financing the accrued service costs and reserves, the ledger balances of \$129,962,228 and the funding value adjustment were applied as follows:

	Ledger Balances applied to			
	Member Accrued Service Costs	Retirant and Beneficiary Benefits	Funding Value Adjustment	Total Assets Applied
Employees' Contributions				
General members	\$ 3,427,319	\$ 0	\$ 0	\$ 3,427,319
Police and Fire members	3,259,333			3,259,333
Hybrid members	1,992,792			1,992,792
Totals	8,679,444	0	0	8,679,444
Employer Contributions				
General members	17,016,400	3,615,339	2,698,696	23,330,435
Police and Fire members	(12,640,389)	4,800,998	2,270,376	(5,569,015)
Hybrid members	3,348,237	(523,394)	268,605	3,093,448
Totals	7,724,248	7,892,943	5,237,677	20,854,868
Retired Benefit Payments		105,665,593		105,665,593
Totals	\$16,403,692	\$113,558,536	\$5,237,677	\$135,199,905

Retirant and Beneficiary Comparative Schedule

Valuation Date	Annual Allowances						%	Expected Removed No.^	Annual Removed Amount	Ratio of No. Active to No. Retired	Annual Allowances as a % of Payroll
	Added		Removed		End of Year						
	No.	Amount	No.	Amount	No.	Amount					
December 31											
1985	11	\$ 106,338	9	\$ 28,916	98	\$ 526,787	17.2 %	3.7	\$ 10,476	2.7	7.8 %
1986	12	183,554	3	11,946	107	698,395	32.6 %	4.2	12,260	2.4	10.1 %
1987	4	61,683	2	4,513	109	755,565	8.2 %	4.3	13,750	2.4	10.7 %
1988	10	117,976	7	31,939	112	841,602	11.4 %	4.6	16,668	2.4	10.8 %
1989	10	133,485	7	30,728	115	944,359	12.2 %	4.6	18,465	2.2	12.1 %
1990	3	21,060	4	12,468	114	952,951	0.9 %	4.8	20,352	2.4	10.5 %
1991	19	250,460	8	30,706	125	1,172,705	23.1 %	4.6	21,722	2.1	13.3 %
1992	16	297,352	6	12,939	135	1,457,118	24.3 %	4.8	23,836	1.9	15.6 %
1993	10	308,378	7	42,985	138	1,722,511	18.2 %	4.8	24,445	1.9	18.7 %
1994	8	191,304	2	8,191	144	1,905,624	10.6 %	4.7	30,636	1.8	19.7 %
1995	19	350,373	9	114,849	153	2,141,148	12.4 %	4.4	71,016	1.6	22.1 %
1996	13	213,394	10	95,392	156	2,259,150	5.5 %	4.8	79,164	1.6	22.8 %
1997	13	259,745	4	34,781	165	2,484,114	10.0 %	5.1	55,092	1.5	23.6 %
1998	10	167,935	12	203,731	163	2,448,318	(1.4)%	5.1	48,216	1.6	23.1 %
1999	14	359,489	7	87,216	170	2,720,591	11.1 %	5.9	64,332	1.5	26.0 %
2000	8	161,432	5	35,632	173	2,846,392	16.3 %	6.2	71,448	1.5	24.0 %
2001	12	322,924	7	63,269	178	3,106,047	9.1 %	6.6	76,284	1.5	26.1 %
2002	4	103,833	4	23,884	178	3,185,996	2.6 %	7.0	83,736	1.5	25.5 %
2003	14	363,172	8	163,536	184	3,385,632	6.3 %	6.1	72,516	1.3	26.9 %
2004*	20	600,971	10	115,910	194	3,870,693	14.3 %	6.6	87,156	1.2	29.7 %
2005	15	886,100	7	73,162	202	4,683,631	21.0 %	6.6	115,488	1.2	35.4 %
2006	14	323,353	6	77,574	210	4,929,410	5.2 %	6.9	126,447	1.1	37.9 %
2007	10	397,641	10	123,374	210	5,203,677	5.6 %	7.3	142,544	1.1	38.9 %
2008	34	1,438,533	2	38,940	242	6,603,270	26.9 %	8.0	162,084	0.8	58.5 %
2009	9	351,759	8	142,896	243	6,812,133	3.2 %	8.1	167,980	0.8	61.6 %
2010#	10	321,610	4	69,176	249	7,064,567	3.7 %	8.7	180,172	0.7	65.7 %
2011	16	854,874	2	44,768	263	7,874,673	11.5 %	9.4	201,591	0.6	81.7 %
2012	8	390,843	3	51,290	268	8,214,226	4.3 %	10.2	218,184	0.6	86.1 %
2013	7	274,106	8	131,955	267	8,356,377	1.7 %	10.6	235,203	0.6	87.7 %
2014	14	621,502	7	167,007	274	8,810,872	5.4 %	10.9	246,720	0.5	95.7 %
2015	11	425,743	7	108,366	278	9,128,249	3.6 %	11.0	254,883	0.6	96.4 %
2016	15	715,966	10	239,790	283	9,604,425	5.2 %	9.7	240,076	0.6	104.3 %

* Annual allowances do not include one-time adjustments made to non-COLA retirees after December 31, 2004.

Annual allowances do not reflect the fixed COLA increase applied to eligible retirees, for valuation purposes.

^ Expected number of removals in the coming year.

Retirants and Beneficiaries December 31, 2016 Tabulated by Type of Allowances Being Paid

Type of Allowances Being Paid	No.	Annual Allowances
<i>Age and Service Allowances</i>		
Option A allowance - benefit terminating at death of retirant	72	\$2,562,743
Option B allowance - 100% joint and survivor benefit	81	2,865,991
Option C allowance - 50% joint and survivor benefit	49	2,202,789
Option D 120 - 120 months certain and life or Option D180 - 180 months certain and life	16	599,480
Allowance to survivor beneficiary of deceased retirant	33	612,145
Total age and service allowances	251	8,843,148
<i>Casualty Allowances</i>		
Duty disability allowance	4	94,371
Non-duty disability allowance	17	412,589
Total Non-duty disability	21	506,960
Allowance to survivor beneficiary of deceased member		
Duty death	0	0
Non-duty death	11	254,317
Total	11	254,317
Total casualty allowances	32	761,277
<i>Total Allowances Being Paid</i>	283	\$9,604,425

Retirants and Beneficiaries December 31, 2016 Tabulated by Age

Ages	Age & Service		Casualty		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
Under 40			1	\$ 3,203	1	\$ 3,203
40-44	1	\$ 44,951			1	44,951
45-49						
50-54	12	648,859	2	79,550	14	728,409
55-59	42	2,151,427	7	227,511	49	2,378,938
60	9	364,472	2	80,645	11	445,117
61	10	324,263	1	18,370	11	342,633
62	5	147,101	1	17,524	6	164,625
63	7	235,860			7	235,860
64	7	281,740	1	17,228	8	298,968
65	9	406,684	1	10,145	10	416,829
66	9	270,244			9	270,244
67	12	498,980	1	31,294	13	530,274
68	17	707,124	1	31,344	18	738,468
69	4	106,174	2	31,718	6	137,892
70	8	372,914	1	6,242	9	379,156
71	2	88,484			2	88,484
72	7	229,419			7	229,419
73	4	153,516			4	153,516
74	4	37,772			4	37,772
75	8	175,766			8	175,766
76	8	213,014			8	213,014
77	9	207,817			9	207,817
78	5	93,382	1	36,406	6	129,788
79	4	90,716	1	22,021	5	112,737
80	2	74,073	2	46,617	4	120,690
81	9	250,707	1	18,435	10	269,142
82	2	58,040			2	58,040
83	1	27,262			1	27,262
84	5	57,346	1	11,647	6	68,993
85	5	106,165			5	106,165
86	6	63,070	2	22,677	8	85,747
87	4	83,192	2	44,749	6	127,941
88	4	95,597			4	95,597
89	3	66,912			3	66,912
90 & Over	7	110,105	1	3,951	8	114,056
Totals	251	\$8,843,148	32	\$761,277	283	\$9,604,425

Active Members December 31, 2016

Tabulated by Valuation Divisions

Valuation Divisions	Teamsters		Others		Total	
	Annualized		Annualized		Annualized	
	No.	Payroll	No.	Payroll	No.	Payroll
General members	6	\$ 296,462	14	\$ 877,420	20	\$1,173,882
Police and Fire members	0	0	54	3,585,036	54	3,585,036
Water Department members	4	215,153	3	214,906	7	430,059
Sewage Disposal members	4	202,751	4	280,109	8	482,860
Hybrid members	0	0	75	3,532,991	75	3,532,991
Total Active Members	14	\$ 714,366	150	\$8,490,462	164	\$9,204,828

Also included in the valuation were 20 former members eligible for a deferred pension.

Comparative Schedule

Valuation Date	Active Members						Annualized Payroll	Average			% Inc.
	Gen.	P.F.	Water	Sew.	Hybrid	Total		Age	Service	Pay	
December 31 1985	113	95	29	27		264	\$ 6,791,152	40.7	12.4	\$25,724	2.1 %
1986	113	94	28	24		259	6,898,835	40.5	12.4	26,636	3.5 %
1987	108	90	29	25		252	7,082,224	41.1	13.1	28,104	5.5 %
1988	108	94	28	28		258	7,827,433	41.1	13.1	30,339	8.0 %
1989	101	94	30	28		253	7,787,845	41.2	13.3	30,782	1.5 %
1990	121	95	28	28		272	9,106,876	41.2	13.1	33,481	8.8 %
1991	108	92	32	29		261	8,817,472	41.1	13.1	33,783	0.9 %
1992	109	87	32	29		257	9,354,039	41.1	12.6	36,397	7.7 %
1993	110	88	30	31		259	9,190,716	41.2	13.0	35,485	(2.5)%
1994	106	87	29	31		253	9,651,905	41.8	13.4	38,150	7.5 %
1995	109	86	27	29		251	9,707,937	41.3	12.9	38,677	1.4 %
1996	106	86	27	31		250	9,923,449	41.4	12.8	39,694	2.6 %
1997	89	87	28	31	17	252	10,529,013	41.5	13.1	41,782	5.3 %
1998	80	88	27	30	29	254	10,584,003	42.2	13.2	41,669	(0.3)%
1999	76	83	25	30	35	249	10,474,154	42.7	13.2	42,065	0.9 %
2000	73	85	23	28	46	255	11,856,866	42.6	13.1	46,498	10.5 %
2001	72	85	23	28	51	259	11,906,969	43.0	13.2	45,973	(1.1)%
2002	71	87	23	27	51	259	12,514,944	43.8	13.9	48,320	5.1 %
2003	66	86	21	26	46	245	12,572,735	44.2	14.5	51,317	6.2 %
2004	60	86	21	23	52	242	13,015,922	43.9	13.9	53,785	6.2 %
2005	59	85	20	21	62	247	13,232,960	43.8	13.3	53,575	(0.4)%
2006	56	85	19	21	60	241	13,007,162	44.2	13.8	53,972	0.7 %
2007	54	82	18	21	57	232	13,371,922	45.1	14.6	57,638	6.8 %
2008	44	71	15	13	49	192	11,289,204	44.6	13.6	58,798	2.0 %
2009	41	67	14	14	53	189	11,061,644	45.2	14.1	58,527	(0.5)%
2010	37	62	13	14	54	180	10,758,097	45.9	14.7	59,767	2.1 %
2011	36	45	13	12	51	157	9,636,542	46.7	15.4	61,379	2.7 %
2012	33	50	11	12	56	162	9,543,247	46.0	14.7	58,909	(4.0)%
2013	30	50	11	12	57	160	9,524,423	46.6	15.2	59,528	1.1 %
2014	26	48	9	10	55	148	9,207,491	46.6	15.1	62,213	4.5 %
2015	23	55	9	8	68	163	9,469,543	45.3	13.2	58,095	(6.6)%
2016	20	54	7	8	75	164	9,204,828	44.6	12.4	56,127	(3.4)%

General Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44					1			1	\$ 57,318
45-49				1	1			2	172,256
50-54					4	1	2	7	360,658
55-59					3	4		7	400,829
60						1		1	62,289
61							1	1	50,627
62					1			1	69,905
Totals				1	10	6	3	20	\$1,173,882

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 53.8 years

Service: 25.1 years

Annual Pay: \$58,694

Police Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	1							1	\$ 43,176
20-24	2							2	85,850
25-29	8							8	425,297
30-34	3	1						4	238,257
35-39	1		1					2	130,683
40-44			4	7	1			12	926,939
45-49			1	1	1			3	241,463
50-54				2	2			4	289,388
55-59					1			1	96,473
Totals	15	1	6	10	5			37	\$2,477,526

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 37.0 years

Service: 11.1 years

Annual Pay: \$66,960

Fire Department Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	3							3	\$ 124,822
30-34									
35-39	4							4	192,602
40-44			2	2				4	308,187
45-49				2	1			3	226,671
50-54				2	1			3	255,228
Totals	7		2	6	2			17	\$1,107,510

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.4 years

Service: 11.0 years

Annual Pay: \$65,148

Water Department Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44				1				1	\$ 53,306
45-49				1		2		3	168,347
50-54					2			2	134,737
55-59					1			1	73,669
Totals				2	3	2		7	\$430,059

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 48.9 years

Service: 22.5 years

Annual Pay: \$61,437

Sewage Disposal Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
45-49				1	1			2	\$145,042
50-54					1	1	1	3	154,154
55-59					3			3	183,665
Totals				1	5	1	1	8	\$482,861

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 53.0 years

Service: 23.8 years

Annual Pay: \$60,358

Hybrid Active Members - December 31, 2016 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	7							7	\$ 266,065
25-29	4							4	157,071
30-34	4							4	138,575
35-39	6							6	278,982
40-44	1		5	4	1			11	647,650
45-49	8	2	2	4				16	853,217
50-54	4			4				8	361,530
55-59	2		3	1				6	261,696
60	1							1	29,104
61			1	1				2	103,269
62		1	2	1	1			5	270,895
63			1					1	61,452
64		1						1	81,105
65	1							1	7,460
66	1							1	7,460
69	1							1	7,460
Totals	40	4	14	15	2			75	\$3,532,991

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.6 years

Service: 7.8 years

Annual Pay: \$47,107

Active Members Added to and Removed from Rolls

Year Ended December 31	Number Added During Year		Terminations During Year								Active Members End of Year
			Retired		Disabled		Died-in- Service		Other		
	A	E	A	E	A	E	A	E	A	E	
2002*	7	7	2	7.2	0	0.2	0	0.2	5	3.4	259
2003	4	18	9	8.1	2	0.2	0	0.2	7	7.2	245
2004	16	19	16	7.2	0	0.3	0	0.3	3	7.2	242
2005	21	16	11	7.2	0	0.3	0	0.3	5	7.2	247
2006	8	14	9	7.9	0	0.2	1	0.2	4	2.5	241
2007	2	11	5	9.1	0	0.3	0	0.3	6	7.5	232
2008	3	43	34	8.7	0	0.3	0	0.2	9	5.6	192
2009*	4	7	3	2.6	2	0.3	1	0.2	1	4.1	189
2010	1	10	7	5.1	1	0.4	0	0.2	2	3.9	180
2011	2	25	13	5.7	0	0.4	0	0.2	12	3.1	157
2012	15	10	5	3.8	2	0.4	0	0.2	3	2.5	162
2013	9	11	3	4.1	0	0.4	1	0.2	7	4.0	160
2014	5	17	10	7.0	1	0.4	2	0.2	4	4.2	148
2015	26	11	10	8.7	0	0.3	0	0.2	1	3.7	163
2016*	19	18	10	9.0	0	0.3	0	0.0	8	6.3	164
15-Year Total	142	237	147	101.4	8	4.7	5	3.1	77	72.4	

* Change in assumptions

"A" denotes actual experience

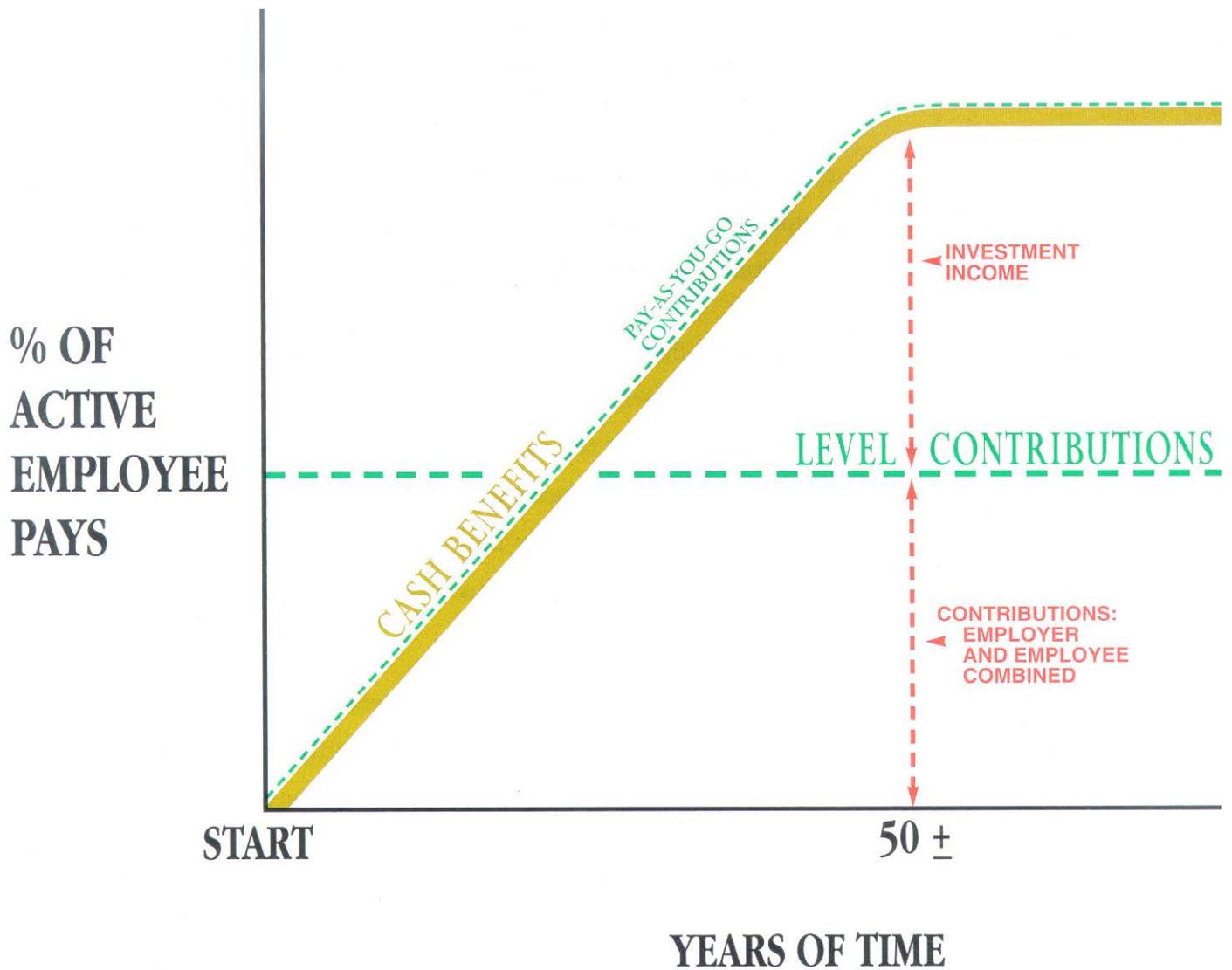
"E" denotes expected experience

Deferred Members

	Count	Average Benefit
General	3	10,015
Police	0	0
Fire	3	30,054
Hybrid	14	5,108
Total	20	9,586

SECTION C

**ACTUARIAL VALUATION PROCESS, ACTUARIAL COST
METHODS, ACTUARIAL ASSUMPTIONS, AND DEFINITIONS OF
TECHNICAL TERMS**



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

Economic Risk Areas

- Rates of investment return
- Rates of pay increase
- Changes in active member group size

Non-Economic Risk Areas

- Ages at actual retirement
- Rates of mortality
- Rates of withdrawal of active members (turnover)
- Rates of disability

The Actuarial Valuation Process

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. **Covered person data**, furnished by plan administrator.
 - Retired lives now receiving benefits
 - Former employees with vested benefits not yet payable
 - Active employees
- B. + **Asset data** (cash & investments), furnished by plan administrator
- C. + **Assumptions concerning future financial experience in various risk areas**, which assumptions are established by the Pension Board after consulting with the actuary
- D. + **A schedule of benefits** to be provided by the plan
- E. + **The funding method** for employer contributions (the long-term, planned pattern for employer contributions)
- F. + **Mathematically combining the assumptions, the funding method, the benefits, and the data**
- G. = Determination of:
 - Plan Financial Position**
 - and/or **Employer's New Contribution Rate**

Actuarial Cost Methods Used for the December 31, 2016 Valuation

Normal Costs were calculated as follows:

The series of contributions payable from date of employment to accumulate the reserve of each member's projected allowance at time of retirement, death, or disability was computed using the assumptions summarized on the following pages. Each contribution in the series is a constant percentage of the member's year-by-year projected covered compensation. This method is commonly referred to as the entry-age actuarial cost method.

Actuarial Accrued Liability was computed and financed as follows:

Retirants and Beneficiaries. The actuarial present value of retirement allowances likely to be paid retirants and beneficiaries was computed using the investment return and mortality assumptions. This amount was financed by applicable actuarial assets.

Active and Inactive Members. The portion of the actuarial present value of benefits likely to be paid active and inactive members that is not covered by future normal cost contributions was computed using the assumptions outlined on the following pages. **The computed amount was reduced by applicable assets.**

Amortization Charges and Credits. The unfunded actuarial accrued liability is amortized over a 23-year period.

Assets were valued using a 7-year smoothing method illustrated on page A-7.

Schedule of Amortizations for Development of Employer Contribution Rates Attributable to Gains, Losses, and Plan Amendments

Description	Unfunded (Overfunded)	Amortization Years		Amortization Charge/(Credit)	
		Initial	Remaining	\$	% of Pay
GENERAL	\$ (9,665,082)	30	23	\$ (701,073)	(31.01)%
HYBRID	(895,517)	30	23	(58,562)	(1.53)%
POLICE	10,271,085	30	23	724,439	26.99%
FIRE	<u>12,299,654</u>	30	23	<u>845,537</u>	70.47%
TOTAL	\$ 12,010,140			\$ 810,341	

Actuarial Assumptions in the Valuation Process

The actuary calculates contribution requirements and actuarial present values for a retirement system by applying actuarial assumptions to the benefit provisions and people information of the system, using the actuarial cost methods described on page C-3.

The principal areas of risk which require assumptions about future experience are:

- (i) long-term rates of investment return to be generated by the assets of the system
- (ii) patterns of pay increases to members
- (iii) rates of mortality among members, retirants and beneficiaries
- (iv) rates of withdrawal of active members
- (v) rates of disability among active members
- (vi) the age patterns of actual retirements

In making a valuation, the actuary calculates the monetary effect of each assumption for as long as a present covered person survives - - a period of time which can be as long as a century.

The employer contribution rate has been computed to remain level from year to year so long as benefits and the basic experience and make-up of members do not change. Examples of favorable experience which would tend to reduce the employer contribution rate are:

- (1) Investment returns in excess of 7.45 % per year.
- (2) Member terminations at a higher rate than outlined on page C-9.
- (3) Mortality among retirants and beneficiaries at a higher rate than indicated by the Mortality Table that is assumed.
- (4) Increases in the number of active members.

Actuarial Assumptions in the Valuation Process

Examples of unfavorable experience which would tend to increase the employer contribution rate are:

- (1) Pay increases in excess of the rates outlined on page C-8.
 - (2) An acceleration in the rate of retirement from the rates outlined on page C-11.
 - (3) A pattern of hiring employees at older ages than in the past.
-

Actual experience of the system will not coincide exactly with assumed experience, regardless of the skill of the actuary and the precision of the calculations. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time one or more of the assumptions are modified to reflect experience trends (but not random or temporary year-to-year fluctuations). The rationale for the assumptions used in this valuation is included in the 5-year experience study ending December 31, 2015.

Actuarial Assumptions Used for the December 31, 2016 Valuation

Investment Return

The investment return rate assumed in the valuations was 7.45% per year, compounded annually (net after administrative expenses).

The **Wage Inflation Rate** assumed in this valuation was 3.25% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macro-economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects.

While an exact **Price Inflation** assumption is not required to perform this valuation, we have assumed price inflation would not be lower than the fixed cost-of-living assumption (2% or 3% depending on division). The price inflation assumption is 2.75%.

The assumed **real rate of return** over wage inflation is defined to be the portion of total investment return that is more than the assumed total wage growth rate. Considering other economic assumptions, the 7.45% investment return rate translates to an assumed real rate of return over wage inflation of 4.2%. The assumed real rate of return over price inflation would be higher – on the order of 4.7%, considering both an inflation assumption and an average expense provision.

The Active Member Population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at the wage inflation rate – 3.25% per year.

Pay increase assumptions for individual active members are shown for sample ages on page C-9. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.25% recognizes wage inflation, including price inflation, productivity increases, and other macro-economic forces. Changes actually experienced in average pay and total payroll have been as follows:

Increase in	Year Ended					3-Year Average	5-Year Average
	2016	2015	2014	2013	2012		
Average pay	(3.4)%	(6.6)%	4.5 %	1.1 %	(4.0)%	(1.9)%	(1.8)%
Total payroll	(2.8)%	2.8 %	(3.3)%	(0.2)%	(1.0)%	(1.1)%	(0.9)%

The nominal rate of return was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is recognized investment income net of expenses, A is the beginning of year funding value of assets, and B is the end of year funding value.

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems -- **to do so will mislead**.

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the December 31, 2016 valuation.

Sample Ages	Annual Rate of Pay Increase for Sample Ages					
	General, Water, Sewage, Hybrid			Police - Fire		
	Base (Economic)	Merit & Longevity	Total	Base (Economic)	Merit & Longevity	Total
20	3.25%	2.24%	5.49%	3.25%	1.69%	4.94%
25	3.25%	1.83%	5.08%	3.25%	1.69%	4.94%
30	3.25%	1.57%	4.82%	3.25%	1.46%	4.71%
35	3.25%	1.39%	4.64%	3.25%	0.62%	3.87%
40	3.25%	1.25%	4.50%	3.25%	0.11%	3.36%
45	3.25%	0.98%	4.23%	3.25%	0.11%	3.36%
50	3.25%	0.67%	3.92%	3.25%	0.11%	3.36%
55	3.25%	0.39%	3.64%	3.25%	0.06%	3.31%
60	3.25%	0.09%	3.34%	3.25%	0.00%	3.25%
65	3.25%	0.00%	3.25%	3.25%	0.00%	3.25%
Ref.		354 x 0.8			353 x 0.8	

If the number of active members remains constant, the total active member payroll will increase 3.25% annually, the base portion of the individual pay increase assumptions. This increasing payroll was partially recognized in amortizing unfunded actuarial accrued liabilities.

Mortality Table. The *mortality rates* utilized are based upon the RP-2014 tables, as extended, and include a margin for future mortality improvements projected using a fully generational improvement scale. The tables used were as follows:

- **Healthy Pre-Retirement:** The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.
- **Healthy Post-Retirement:** The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.
- **Disability Retirement:** The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.

These tables were first used for the December 31, 2016 valuation. Sample values are as follows:

Sample Attained Ages	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life Expectancy (Years)*		Future Life Expectancy (Years)*		Future Life Expectancy (Years)*	
	Men	Women	Men	Women	Men	Women
55	29.72	34.96	28.49	31.39	21.21	25.00
60	24.90	29.99	23.97	26.69	18.22	21.48
65	20.44	25.13	19.72	22.20	15.37	18.04
70	16.35	20.40	15.77	17.92	12.60	14.65
75	12.60	15.89	12.16	13.96	9.96	11.49
80	9.24	11.65	9.01	10.46	7.58	8.77

* Based on retirements in 2016. Retirements in future years will reflect improvements in life expectancy.

Rates of separation from active membership. The rates apply to members separating from active employment before retirement, death or disability. It was assumed that general, water and sewage members who quit prior to age 45 will withdraw their accumulated contributions. For Police and Fire, age 50 was assumed.

Sample Ages	Years of Service	% of Active Members Separating within Next Year			
		General, Water, and Sewage	Hybrid	Police	Fire
ALL	0	24.00%	24.00%	9.60%	9.60%
	1	16.00%	16.00%	7.20%	7.20%
	2	12.00%	12.00%	5.60%	5.60%
	3	8.00%	8.00%	4.00%	4.00%
	4	5.60%	5.60%	3.60%	3.60%
20	5 & Over	3.00%	7.20%	2.70%	2.70%
25		3.00%	7.20%	2.70%	2.70%
30		2.75%	6.60%	2.34%	2.34%
35		2.20%	5.28%	1.38%	1.38%
40		0.93%	2.22%	0.54%	0.54%
45		0.63%	1.50%	0.30%	0.30%
50		0.63%	1.50%	0.30%	0.30%
55		0.63%	1.50%	0.30%	0.30%
60		0.63%	1.50%	0.30%	0.30%
65		0.63%	1.50%	0.30%	0.30%
Ref.		11 x 0.8 59 x 0.5	11 x 0.8 59 x 1.2	29 x 0.8 53 x 0.6	29 x 0.8 53 x 0.6

The rates in this table were first used in the December 31, 2016 valuation.

Rates of Disability. These assumptions represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year		
	General, Water, and Sewage	Hybrid	Police and Fire
20	0.08%	0.04%	0.12%
25	0.08%	0.04%	0.12%
30	0.08%	0.04%	0.12%
35	0.08%	0.04%	0.12%
40	0.20%	0.10%	0.30%
45	0.27%	0.13%	0.40%
50	0.49%	0.25%	0.74%
55	0.89%	0.45%	1.34%
60	1.41%	0.71%	2.12%
65	1.66%	0.83%	2.49%
Ref.	9 x 1	9 x 0.5	9 x 1.5

The rates in this table were first used in the December 31, 2016 valuation.

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year.

Retirement Ages	Percent of Active Members Retiring within Next Year*					Rule of 80
	General, Water, and Sewage	Appointed	Hybrid	Police	Fire	General, Water, and Sewage
50				45.0%	45.0%	30.0%
51				35.0%	35.0%	30.0%
52				30.0%	30.0%	30.0%
53				30.0%	30.0%	30.0%
54				30.0%	30.0%	30.0%
55	35.0%	32.5%	15.0%	30.0%	30.0%	35.0%
56	35.0%	25.0%	15.0%	30.0%	30.0%	35.0%
57	35.0%	25.0%	15.0%	30.0%	30.0%	35.0%
58	35.0%	25.0%	15.0%	30.0%	30.0%	35.0%
59	35.0%	25.0%	15.0%	30.0%	30.0%	35.0%
60	35.0%	32.5%	35.0%	100.0%	100.0%	40.0%
61	35.0%	22.0%	35.0%	100.0%		40.0%
62	35.0%	32.5%	35.0%	100.0%		40.0%
63	35.0%	23.5%	35.0%	100.0%		40.0%
64	35.0%	32.5%	35.0%	100.0%		40.0%
65	60.0%	80.0%	35.0%	100.0%		60.0%
66	60.0%	40.0%	35.0%			60.0%
67	60.0%	50.0%	35.0%			60.0%
68	60.0%	60.0%	35.0%			60.0%
69	60.0%	70.0%	35.0%			60.0%
70	100.0%	100.0%	100.0%			100.0%
Ref.	2622	2627	2625	1350	1350	2624

* Fire members and Police members hired prior to 7/1/2008, retirement rates were changed to 75% once members reach 30.2 years of service. For Police members hired on or after 7/1/2008, retirement rates were changed to 75% once members reach 37.2 years of service.

The rates in this table were first used in the December 31, 2016 valuation.

The above probabilities apply to members satisfying the conditions described on page B-5.

Miscellaneous and Technical Assumptions

December 31, 2016

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits for General and Police/Fire members. 80% of males and 70% of females are assumed to be married for purposes of death-in-service benefits for Hybrid members. Male spouses are assumed to be three years older than female spouses for active member valuation purposes. In retired or inactive cases where spouse information is needed, but not available, the three-year age difference is also assumed.
Pay Increase Timing:	Beginning of (Fiscal) year for all groups. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality decrements do not operate during the first 10 years of service.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Normal Form of Benefit:	The assumed normal form of benefit is a straight life benefit, except where otherwise noted.
Final Average Compensation (FAC) Adjustment:	The normal cost and actuarial accrued liability, for age and service benefits were increased by 6% for the General members, 4.5% for the Hybrid members, 3.5% for the Police members, and 4.5% for the Fire members to account for inclusion of longevity, overtime pay, vacation pay, etc. in the FAC used to calculate retirement benefits.

Miscellaneous and Technical Assumptions

December 31, 2016 (Concluded)

Hybrid Benefit Election: Upon normal retirement eligibility, Hybrid members can choose the Monthly Benefit Option or the Lump Sum Option. For valuation purposes, it was assumed that 80% of members would elect the Monthly Benefit Option and 20% would elect the Lump Sum Option.

Upon deferred retirement eligibility, Hybrid members can choose the Immediate Option or the Deferred Option. For valuation purposes, it was assumed that 30% would elect the Immediate Option and 70% would elect the Deferred Option.

Option Factors: Option factors are based upon 7.5% interest and the RP2000 Mortality table with a 90% Unisex Blend. The Annuity Withdrawal reduction factor is based upon 7.50% interest and the RP2000 Mortality table with a 50% Unisex Blend.

Definitions of Technical Terms

Accrued Service. Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial present value of future normal costs. Also referred to as “past service liability.”

Actuarial Assumptions. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefits” between future normal costs and actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Equivalent. One series of payments is said to be actuarially equivalent to another series of payments if the two series have the same actuarial present value.

Actuarial Gain (Loss). The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities -- during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and (generally) principal -- as opposed to paying off with a lump sum payment.

Credited Projected Benefit. The portion of a member’s projected benefit attributable to service before the valuation date - allocated based on the ratio of accrued service to projected total service and based on anticipated future compensation.

Normal Cost. The portion of the actuarial present value of future benefits that is assigned to the current year by the actuarial cost method. Sometimes referred to as “current service cost.”

Definitions of Technical Terms

Unfunded Actuarial Accrued Liabilities. The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as “unfunded past service liability” or “unfunded supplemental present value.”

Most retirement systems have unfunded actuarial accrued liabilities. They arise each time new benefits are added and each time an actuarial loss occurs.

The existence of unfunded actuarial accrued liabilities is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liabilities do not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liabilities and the trend in its amount (after due allowance for devaluation of the dollar).

Valuation Assets. The value of cash, investments and other property belonging to a pension plan, as used for the purpose of an actuarial valuation.

Public Employee Retirement Investment Act

Act 729 of 2002

Required Employer Contributions

Sec. 20m. The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of any system shall confirm in the annual actuarial valuation and the summary annual report required under section 20h(2) that each plan under this act provides for the payment of the required employer contribution as provided in this section and shall confirm in the summary annual report that the system has received the required employer contribution for the year covered in the summary annual report. The required employer contribution is the actuarially determined contribution amount. An annual required employer contribution in a plan under this act shall consist of a current service cost payment and a payment of at least the annual accrued amortized interest on any unfunded actuarial liability and the payment of the annual accrued amortized portion of the unfunded principal liability. For fiscal years that begin before January 1, 2006, the required employer contribution shall not be determined using an amortization period greater than 40 years. For years that begin after December 31, 2005, the required employer contribution shall not be determined using an amortization period greater than 30 years. In a plan year, any current service cost payment may be offset by a credit for amortization of accrued assets, if any, in excess of actuarial accrued liability. A required employer contribution for a plan administered under this act shall allocate the actuarial present value of future plan benefits between the current service costs to be paid in the future and the actuarial accrued liability. The governing board vested with the general administration, management, and operation of a system or other decision-making body of a system shall act upon the recommendation of an actuary and the board and the actuary shall take into account the standards of practice of the actuarial standards board of the American Academy of Actuaries in making the determination of the required employer contribution.

SECTION D

FINANCIAL REPORTING

NOTE: GASB Statements No. 67 and No. 68 are effective for Governmental Retirement Plans for the fiscal year beginning after June 15, 2013 (GASB Statement No. 67) and the fiscal year beginning after June 15, 2014 (GASB Statement No. 68). These statements replace GASB Statements No. 25 and No. 27.

Supplementary Information Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b)-(a)]/(c)
2004	\$ 111,524	\$ 98,058	\$ (13,466)	113.7 %	\$ 13,016	-
2005	118,935	101,937	(16,998)	116.7 %	13,233	-
2006	124,033	105,394	(18,639)	117.7 %	13,007	-
2007	130,366	110,753	(19,613)	117.7 %	13,372	-
2008	130,512	117,030	(13,482)	111.5 %	11,289	-
2009	131,184	120,828	(10,356)	108.6 %	11,062	-
2010	132,119	124,415	(7,704)	106.2 %	10,758	-
2011	131,234	128,991	(2,243)	101.7 %	9,637	-
2012	130,063	130,741	678	99.5 %	9,543	7.1 %
2013	130,300	132,708	2,408	98.2 %	9,524	25.3 %
2014	130,057	136,238	6,181	95.5 %	9,207	67.1 %
2015	133,737	137,412	3,675	97.3 %	9,470	38.8 %
2016	135,200	147,210	12,010	91.8 %	9,205	130.5 %

Schedule of Employer Contributions

Fiscal Year July-June	Annual Required Contribution
2004-2005	\$ 0
2005-2006	479,028
2006-2007	487,016
2007-2008	1,444,879
2008-2009	1,439,268
2009-2010	1,483,539
2010-2011	1,191,553
2011-2012	1,274,568
2012-2013	1,351,541
2013-2014	1,488,154
2014-2015	1,622,379
2015-2016	1,695,874
2016-2017	1,845,799
2017-2018	1,830,651
2018-2019	2,253,914

Summary of Actuarial Methods and Assumptions

The information presented in the 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	December 31, 2016
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent-of-pay
Amortization period	23 years, closed
Asset valuation method	7-year smoothed market
Actuarial assumptions	
Investment rate of return (includes wage inflation at 3.25%)	7.45%
Cost-of-living adjustments	3% simple for Police Unit 2% simple for Police Unit after 7/1/2008 3% simple for Fire Unit 2% simple for Fire Unit after 7/1/2008 2% simple for Hybrid members 2% simple for General