

The Employee Retirement System of the City of Providence

Actuarial Valuation and Review as of July 1, 2019



This report has been prepared at the request of the Board of Trustees to assist in administering the The Employee Retirement System of the City of Providence. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Retirement Board and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

© 2020 by The Segal Group, Inc. All rights reserved.

Segal



116 Huntington Ave., 8th Floor
Boston, MA 02116-5744
segalco.com
T 617.424.7300

December 16, 2020

Retirement Board
The Employee Retirement System of the City of Providence
City Hall
Providence, RI 02903

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2019. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal 2022 and later years (fiscal 2020 and 2021 have already been budgeted).

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the System. That assistance is gratefully acknowledged.

The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the System.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,
Segal



Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

Table of Contents

| | |
|--|----|
| Section 1: Actuarial Valuation Summary..... | 5 |
| Purpose and basis..... | 5 |
| Valuation highlights | 6 |
| Summary of key valuation results..... | 9 |
| Important information about actuarial valuations..... | 10 |
| Section 2: Actuarial Valuation Results | 12 |
| Participant data..... | 12 |
| Financial information | 15 |
| Actuarial experience | 18 |
| Actuarially determined contribution | 26 |
| Funding schedule | 27 |
| Risk..... | 30 |
| Section 3: Supplemental Information | 32 |
| Exhibit A: Table of Plan Coverage – Class A | 32 |
| Exhibit B: Table of Plan Coverage – Class B | 33 |
| Exhibit C: Participants in Active Service during Year Ended June 30, 2019 – Class A by Age, Years of Service, and Average Compensation | 34 |
| Exhibit D: Participants in Active Service during Year Ended June 30, 2019 – Class B by Age, Years of Service, and Average Compensation | 35 |
| Exhibit E: Service Retirees as of June 30, 2019 | 36 |
| Exhibit F: Class A Disabled Retirees as of June 30, 2019 | 37 |
| Exhibit G: Class B Disabled Retirees as of June 30, 2019..... | 38 |
| Exhibit H: Beneficiaries as of June 30, 2019..... | 39 |
| Exhibit I: Summary Statement of Income and Expenses on a Market Value Basis..... | 40 |
| Exhibit J: Development of the Fund through June 30, 2019..... | 41 |

Table of Contents

| | |
|--|----|
| Exhibit K: Definition of Pension Terms | 42 |
| Section 4: Actuarial Valuation Basis | 46 |
| Exhibit I: Actuarial Assumptions, Actuarial Cost Method and Models | 46 |
| Exhibit II: Summary of Plan Provisions..... | 55 |

Section 1: Actuarial Valuation Summary

Purpose and basis

This report was prepared by Segal to present a valuation of The Employee Retirement System of the City of Providence as of July 1, 2019. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligations. 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; and changes in plan provisions or applicable law.

Certain disclosure information required by GASB Statements No. 67 and 68 as of July 1, 2019 for the System is provided in a separate report.

The contribution requirements presented in this report are based on:

- The benefit provisions of The Employee Retirement System of the City of Providence, as administered by the Board;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of June 30, 2019, provided by the Board;
- The assets of the System as of June 30, 2019;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.

Section 1: Actuarial Valuation Summary

Valuation highlights

1. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance. The funding policy adopted by the Board of The Employee Retirement System of the City of Providence meets this standard and funds the unfunded actuarial accrued liability by June 30, 2040.
2. The funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) is 23.87%, compared to the prior year funded ratio of 26.67%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio is 23.04%, compared to 26.05% as of the prior valuation date.
3. The lower funded ratios are primarily due to the changes in actuarial assumptions, in particular the reduction in the assumed rate of return and inflation component of the salary scale. The economic and demographic assumption changes are summarized below. If there had been no assumption changes, the funded ratio on an actuarial basis would have been 27.3%, a 0.64% increase compared to the prior year funded ratio.
4. During the year ended June 30, 2019, the market value rate of return was 4.24%, compared to the assumed rate of return of 8.00% used for the June 30, 2018 actuarial valuation. Because the actuarial value of assets gradually recognizes market value fluctuations at 20% per year over a five-year period, the actuarial rate of return for the year ended June 30, 2019 was 5.41%. The actuarial value of assets as of June 30, 2019 was \$380.5 million, or 103.6% of the market value of assets of \$367.3 million. As of June 30, 2018, the actuarial value of assets was 102.4% of the market value of assets.
5. As indicated in *Section 2* of this report, the total unrecognized investment loss as of June 30, 2019 is \$13,215,536. This investment loss will be recognized in the determination of the actuarial value of assets in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return (net of investment expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. The funding schedule reflects the deferred investment losses in the projection of the unfunded actuarial accrued liability.
6. An actuarial experience review for the three-year period ending June 30, 2018 was recently completed. This report reflects the following recommended assumption changes:
 - The assumed net investment return was decreased from 8.00% to 7.00%.
 - The salary scale was decreased from 3.5% to 3.0% before reflecting longevity.
 - The mortality assumption for employees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Employee Mortality Table projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Employee Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.

Section 1: Actuarial Valuation Summary

- The mortality assumption for healthy retirees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Healthy Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The mortality assumption for beneficiaries was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Contingent Survivor Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The mortality assumption for disabled retirees was updated from the RP-2006 Blue Collar Healthy Annuitant Mortality Table set forward three years projected generationally with Scale BB2D to the Pub-2010 (Non-Safety for Class A and Safety for Class B) Disabled Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The disability, withdrawal and retirement rates for Class A were updated

As a result of these assumption changes, the employer normal cost increased by \$2.8 million and the actuarial accrued liability increased by \$200.0 million.

7. The unfunded liability was expected to increase from \$1,010.6 million as of July 1, 2018 to \$1,017.0 million as of July 1, 2019. The unfunded liability of \$1,213.2 million is \$196.2 million higher than expected due to a \$200.0 million increase from assumption changes and an investment loss on an actuarial basis of \$9.4 million, partially offset by a demographic experience gain of \$13.2 million.
8. The Actuarially Determined Contribution (ADC) for fiscal 2020, 2021 and 2022 have been set equal to previously budgeted amounts of \$86,723,405, \$90,483,926, and \$93,585,059, respectively. The results of this valuation will first be reflected in the fiscal 2023 employer contribution of \$98,475,108. The unfunded liability, less the liability associated with the 1995 Deferral, is amortized through June 30, 2040 with amortization payments that are calculated to increase 5.3% per year (beginning in fiscal 2023). The 1995 deferral liability is amortized through June 30, 2031 in level payments. Actuarially Determined Contributions are assumed to be paid on June 30. If the contribution is made on a different date, Segal will adjust the interest charge based on the actual date of payment.
9. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the System's future financial condition, but have included a brief discussion of some risks that may affect the System in *Section 2*. We recommend a more detailed assessment of the risks to provide the Board with a better understanding of the inherent risks.

Section 1: Actuarial Valuation Summary

10. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2019. Due to the COVID-19 pandemic, market conditions have varied significantly since the valuation date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. While it is impossible to determine how the market will perform over the next several months, and how that will affect the results of next year's valuation, Segal is available to prepare projections of potential outcomes upon request.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

| | | 2019 | 2018 |
|--|--|-----------------|-----------------|
| Contributions for fiscal year: | • Actuarially determined contributions for fiscal 2020 and 2019 | \$86,723,404 | \$83,357,367 |
| | • Actuarially determined contributions for fiscal 2021 and 2020 | 90,483,926 | 86,723,404 |
| | • Actuarially determined contributions for fiscal 2022 and 2021 | 93,585,059 | 90,483,926 |
| | • Actuarially determined contributions for fiscal 2023 and 2022 | 98,475,108 | 93,585,059 |
| | • Actual employer contributions for fiscal 2020 and 2019 | 86,723,000 | 83,357,000 |
| Actuarial accrued liability for plan year beginning July 1: | • Retired participants and beneficiaries | \$1,083,203,156 | \$937,593,299 |
| | • Inactive participants | 16,969,653 | 13,312,447 |
| | • Active participants | 493,473,217 | 427,281,618 |
| | • Total | 1,593,646,026 | 1,378,187,364 |
| | • Normal cost for plan year beginning July 1 | 24,016,171 | 20,393,606 |
| Assets for plan year beginning July 1: | • Market value of assets (MVA) | \$367,253,000 | \$358,997,000 |
| | • Actuarial value of assets (AVA) | 380,468,536 | 367,599,364 |
| | • Actuarial value of assets as a percentage of market value of assets | 103.60% | 102.40% |
| Funded status for plan year beginning July 1: | • Unfunded actuarial accrued liability on market value of assets | \$1,226,393,026 | \$1,019,190,364 |
| | • Funded percentage on MVA basis | 23.04% | 26.05% |
| | • Unfunded actuarial accrued liability on actuarial value of assets | \$1,213,177,490 | \$1,010,588,000 |
| | • Funded percentage on AVA basis | 23.87% | 26.67% |
| Key assumptions | • Net investment return | 7.00% | 8.00% |
| | • Long-term inflation rate | 3.00% | 3.50% |
| Demographic data as of June 30: | • Number of retired participants and beneficiaries | 3,255 | 3,220 |
| | • Number of inactive participants due a refund of employee contributions | 432 | 405 |
| | • Number of inactive vested participants | 68 | 60 |
| | • Number of active participants | 3,017 | 2,993 |
| | • Total payroll | \$154,798,802 | \$149,921,633 |
| | • Average payroll | 51,309 | 50,091 |

Note:
Actuarially Determined Contributions are assumed to be paid on June 30. If the contribution is made on a different date, Segal will adjust the interest charge based on the actual date of payment.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

| | |
|------------------------------|--|
| Plan of benefits | Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits. |
| Participant data | An actuarial valuation for a plan is based on data provided to the actuary by The Employee Retirement System of the City of Providence. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data. |
| Assets | The valuation is based on the market value of assets as of the valuation date, as provided by The Employee Retirement System of the City of Providence. The State uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements. |
| Actuarial assumptions | In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable. |

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The actuarial valuation is prepared at the request of the State. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

Actuarial results in this report are not rounded, but that does not imply precision.

If the State is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Employee Retirement System of the City of Providence should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the System, it is not a fiduciary in its capacity as actuaries and consultants with respect to the System.

Section 2: Actuarial Valuation Results

Participant data

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A and B*.

Participant Population: 2009 – 2019

| Year Ended June 30 | Active Participants | Inactive Participants | Retired Participants and Beneficiaries | Total Non- Actives | Ratio of Non-Actives to Actives |
|-----------------------|------------------------|--------------------------|---|-----------------------|---------------------------------------|
| 2009 | 2,955 | 455 | 2,883 | 3,338 | 1.13 |
| 2010 | 2,998 | 432 | 2,929 | 3,361 | 1.12 |
| 2011 | 2,987 | 435 | 2,999 | 3,434 | 1.15 |
| 2013 | 2,998 | 407 | 3,094 | 3,501 | 1.17 |
| 2014 | 2,986 | 428 | 3,108 | 3,536 | 1.18 |
| 2015 | 3,012 | 432 | 3,094 | 3,526 | 1.17 |
| 2016 | 2,889 | 473 | 3,185 | 3,658 | 1.27 |
| 2017 | 2,891 | 533 | 3,234 | 3,767 | 1.30 |
| 2018 | 2,993 | 465 | 3,220 | 3,685 | 1.23 |
| 2019 | 3,017 | 500 | 3,255 | 3,755 | 1.24 |

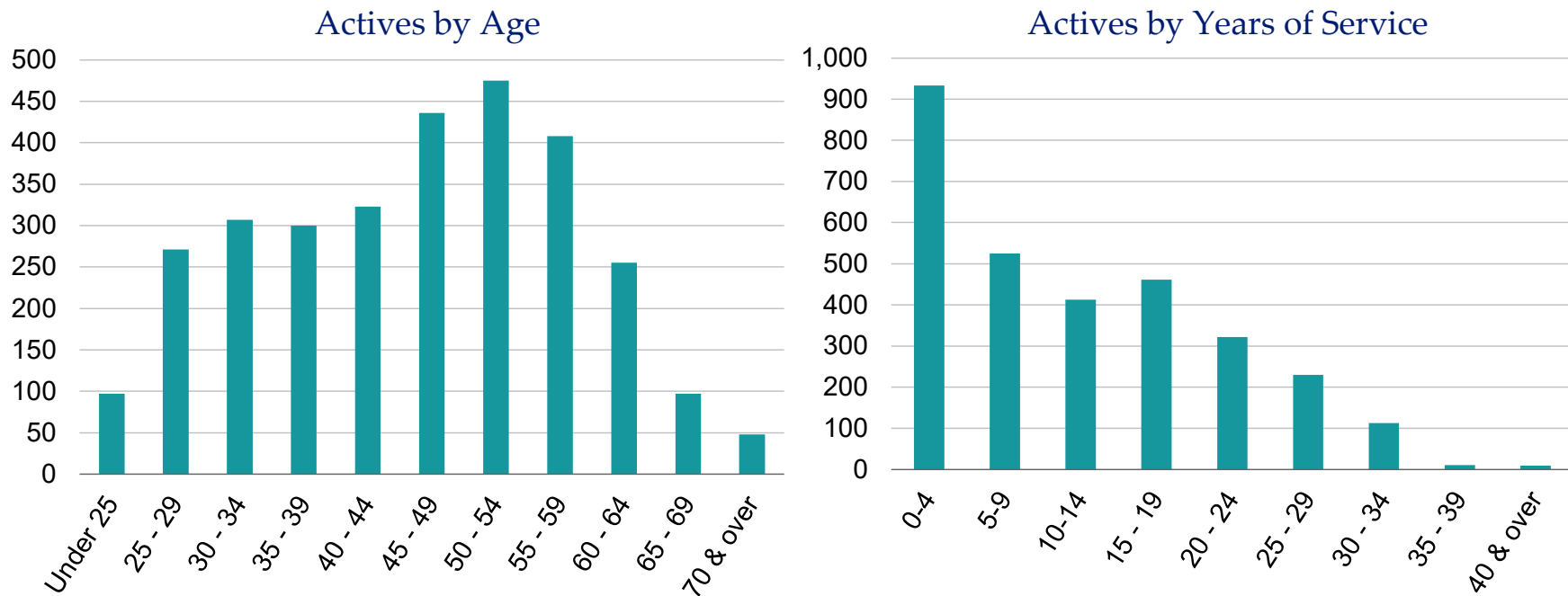
Section 2: Actuarial Valuation Results

Active participants

Plan costs are affected by the age, years of service and compensation of active participants. In this year's valuation, there were 3,017 active participants with an average age of 46.4, average years of service of 12.2 years and average compensation of \$51,309. The 2,993 active participants in the prior valuation had an average age of 46.4, average service of 12.4 years and average compensation of \$50,091.

Among the active participants, there were none with unknown age and/or service information.

Distribution of Active Participants as of June 30, 2019



Inactive participants

In this year's valuation, there were 68 participants with a vested right to a deferred or immediate vested benefit 432 participants entitled to a return of their employee contributions.

Section 2: Actuarial Valuation Results

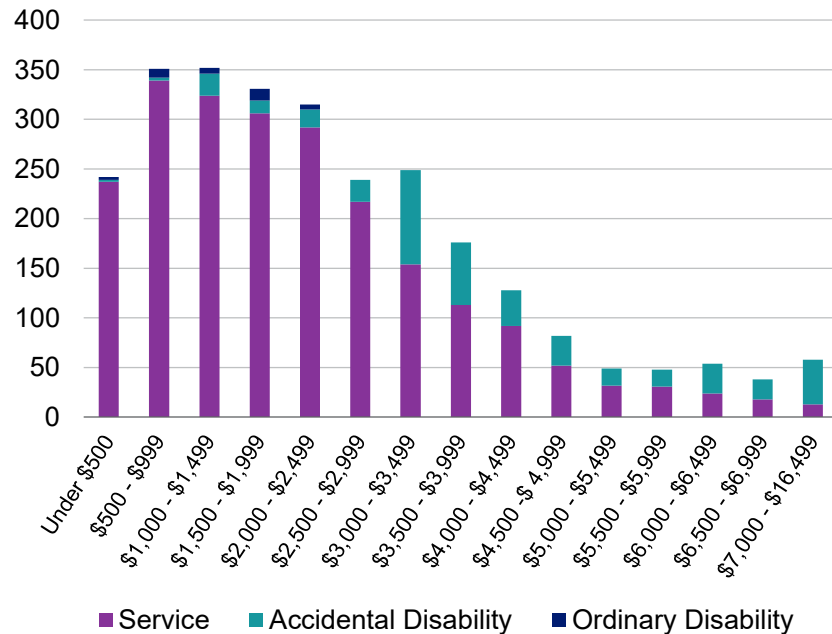
Retired participants and beneficiaries

As of June 30, 2019, 2,712 retired participants and 543 beneficiaries were receiving total monthly benefits of \$7,959,690. For comparison, in the previous valuation, there were 2,683 retired participants and 537 beneficiaries receiving monthly benefits of \$7,875,635. There were no retired participants in suspended status this year compared to two retired participants in suspended status the prior valuation.

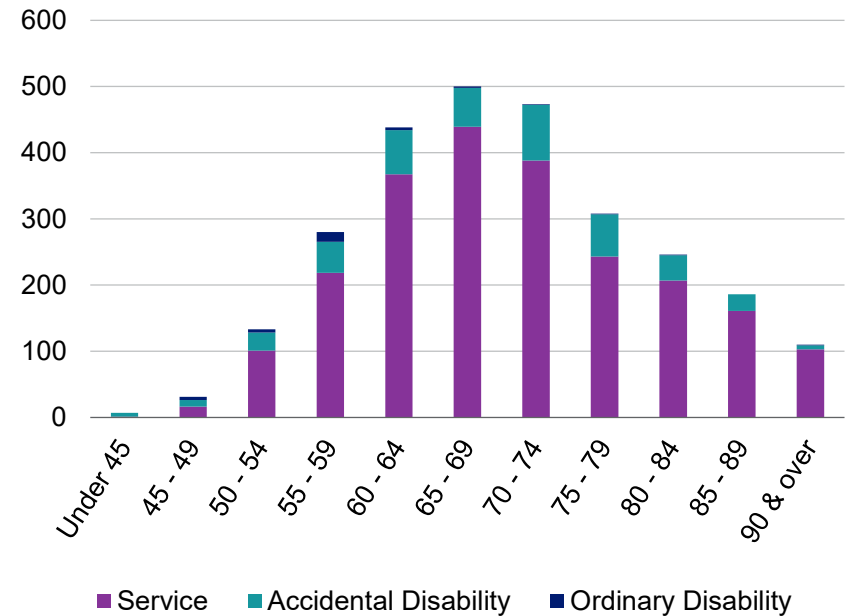
As of June 30, 2019, the average monthly benefit for retired participants and beneficiaries is \$2,445, compared to \$2,447 in the previous valuation. The average age for retired participants and beneficiaries is 71.0 in the current valuation, compared with 70.7 in the prior valuation.

Distribution of Pensioners and Beneficiaries as of June 30, 2019

Pensioners by Type and Monthly Amount



Pensioners by Type and Age



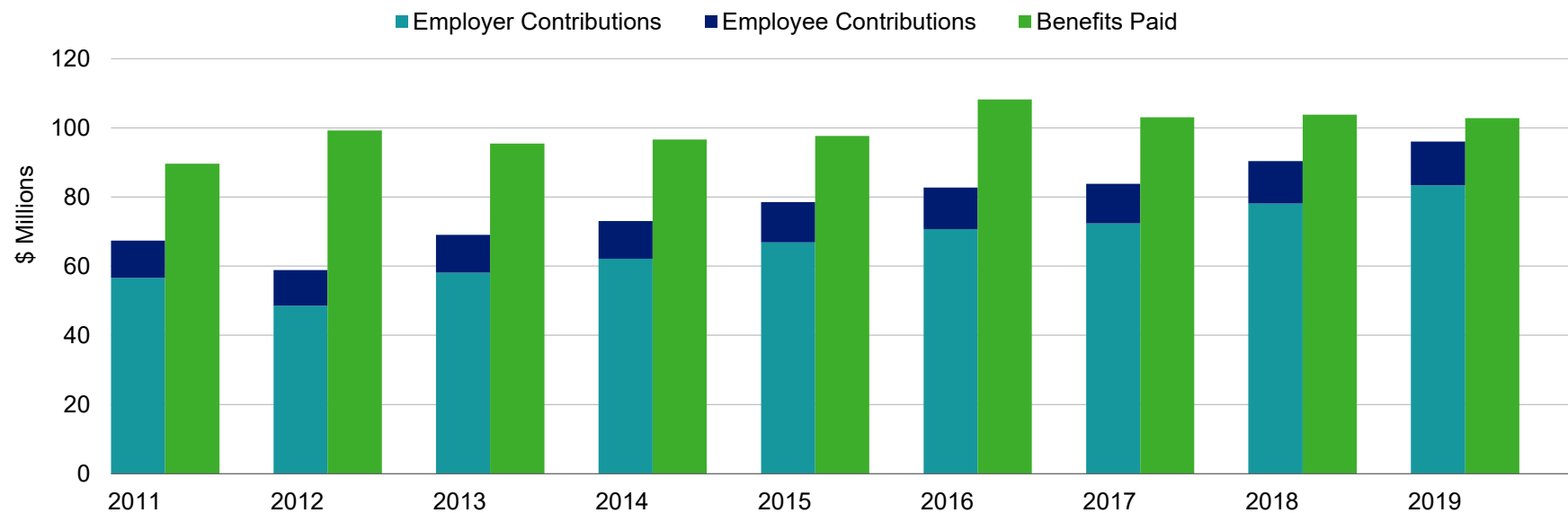
Section 2: Actuarial Valuation Results

Financial information

Retirement plan funding anticipates that, over the long term, both contributions and investment earnings (less investment fees) will be needed to cover benefit payments and administrative expenses. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits I and J*.

Comparison of Contributions with Benefits and Expenses
for Years Ended June 30, 2011 – 2019



Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Determination of Actuarial Value of Assets for Year Ended June 30, 2019

| | | | | | |
|----------|---|------------------------------------|-------------------------|--|----------------------|
| 1 | Market value of assets, June 30, 2019 | | | | \$367,253,000 |
| 2 | Calculation of unrecognized return | Original Amount¹ | Percent Deferred | Unrecognized Amount² | |
| (a) | Year ended June 30, 2019 | -\$13,374,080 | 80% | -\$10,699,264 | |
| (b) | Year ended June 30, 2018 | -3,551,560 | 60% | -2,130,936 | |
| (c) | Year ended June 30, 2017 | 8,737,960 | 40% | 3,495,184 | |
| (d) | Year ended June 30, 2016 | -19,402,600 | 20% | -3,880,520 | |
| (e) | Year ended June 30, 2015 | -16,214,261 | 0% | 0 | |
| (f) | Total unrecognized return | | | | <u>-13,215,536</u> |
| 3 | Preliminary actuarial value: (1) - (2f) | | | | \$380,468,536 |
| 4 | Adjustment to be within 20% corridor | | | | 0 |
| 5 | Final actuarial value of assets as of June 30, 2019: (3) + (4) | | | | 380,468,536 |
| 6 | Actuarial value as a percentage of market value: (5) ÷ (1) | | | | 103.6% |
| 7 | Amount deferred for future recognition: (1) - (5) | | | | <u>-\$13,215,536</u> |

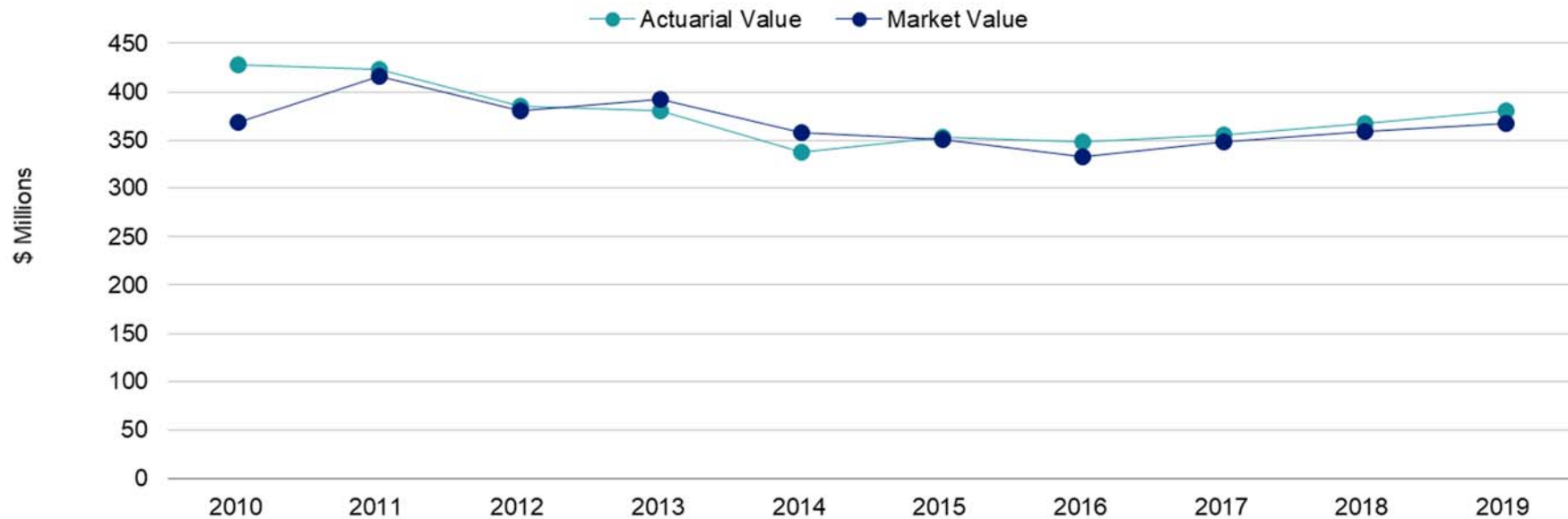
¹ Total return minus expected return on a market value basis.

² Recognition at 20% per year over five years.

Section 2: Actuarial Valuation Results

Both the actuarial value and market value of assets are representations of the System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2010 – 2019



Section 2: Actuarial Valuation Results

Actuarial experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), any contribution requirement will decrease from the previous year. On the other hand, any contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. As previously noted, this report reflects several assumption changes based upon the results of the recent experience study.

The total gain is \$3,775,921, which includes \$9,449,097 from investment losses and \$13,225,018 in gains from all other sources. The net experience variation from individual sources other than investments was 0.8% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

Actuarial Experience for Year Ended June 30, 2019

| | | |
|----------|-----------------------------------|---------------------|
| 1 | Net loss from investments | -\$9,449,097 |
| 2 | Net gain from other experience | 13,225,018 |
| 3 | Net experience gain: 1 + 2 | \$3,775,921 |

Section 2: Actuarial Valuation Results

Investment experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the System's investment policy. The rate of return on the market value of assets was 4.24% for the year ended June 30, 2019.

For valuation purposes, the assumed rate of return on the actuarial value of assets was 8.00% for the year ended June 30, 2019. The actual rate of return on an actuarial basis for the 2019 plan year was 5.41%. Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2019 with regard to its investments.

Investment Experience

| | | Year Ended June 30, 2019 | |
|----------|--|--------------------------|-----------------|
| | | Market Value | Actuarial Value |
| 1 | Net investment income | \$15,073,000 | \$19,686,172 |
| 2 | Average value of assets | 355,588,500 | 364,190,864 |
| 3 | Rate of return: 1 ÷ 2 | 4.24% | 5.41% |
| 4 | Assumed rate of return | 8.00% | 8.00% |
| 5 | Expected investment income: 2 × 4 | \$28,447,080 | \$29,135,269 |
| 6 | Actuarial loss: 1 - 5 | -\$13,374,080 | -\$9,449,097 |

Section 2: Actuarial Valuation Results

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the actual market value investment return for the last nine years, including averages over select time periods.

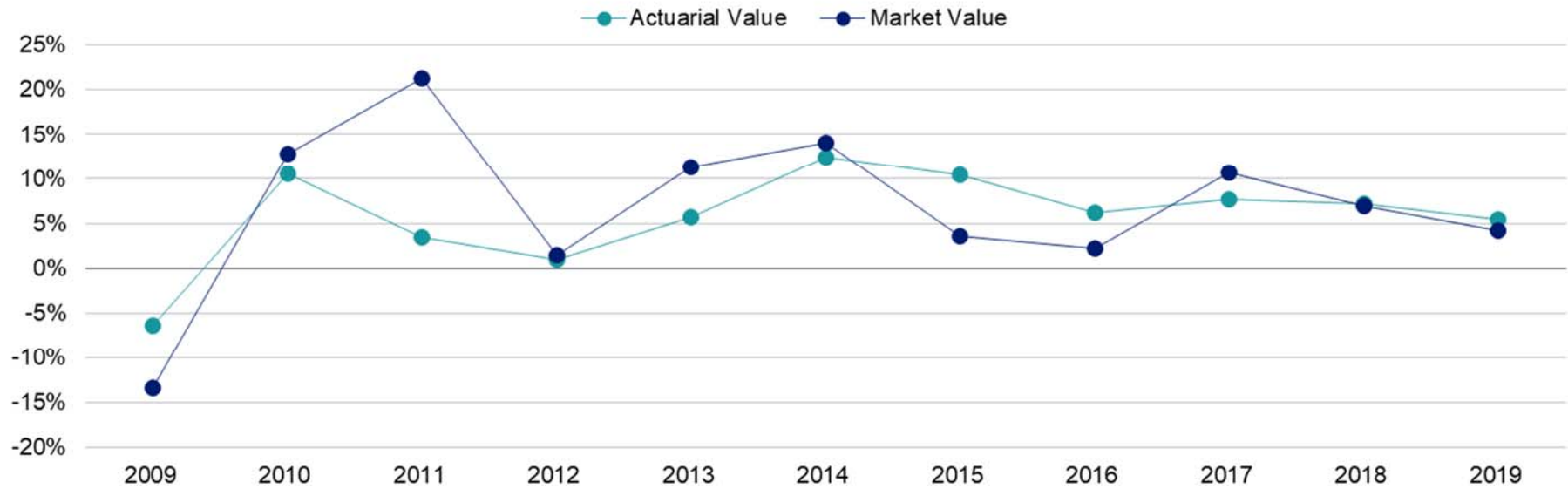
Investment Return – Actuarial Value vs. Market Value: 2011 - 2019

| Year Ended June 30 | Actuarial Value Investment Return | | Market Value Investment Return | |
|-----------------------|---------------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| 2011 | N/A | 3.42% | N/A | 21.33% |
| 2012 | \$3,391,254 | 0.97 | \$5,100,797 | 1.49 |
| 2013 | 18,132,553 | 5.70 | 35,563,000 | 11.35 |
| 2014 | 38,601,141 | 12.39 | 45,484,000 | 14.04 |
| 2015 | 34,418,220 | 10.47 | 12,507,000 | 3.59 |
| 2016 | 21,019,880 | 6.17 | 7,665,000 | 2.27 |
| 2017 | 26,208,775 | 7.72 | 34,630,000 | 10.70 |
| 2018 | 25,018,161 | 7.16 | 23,802,000 | 6.96 |
| 2019 | <u>19,686,172</u> | 5.41 | <u>15,073,000</u> | 4.24 |
| Total | \$186,476,156 | | \$179,824,797 | |
| | Most recent five-year average return | 7.34% | | 5.49% |
| | Most recent eight-year average return | 6.77% | | 6.69% |

Section 2: Actuarial Valuation Results

As described earlier in this section, the actuarial asset valuation method gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market and Actuarial Rates of Return for Years Ended June 30, 2009 - 2019



Section 2: Actuarial Valuation Results

Other experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among participants,
- retirement experience (earlier or later than projected),
- mortality (more or fewer deaths than projected)
- the number of disability retirements (more or fewer than projected), and
- salary increases (greater or smaller than projected).

The net gain from this other experience for the year ended June 30, 2019 amounted to \$13,225,018, which is 0.8% of the actuarial accrued liability.

Liability Changes Due to Demographic Experience for Year Ended June 30, 2019

| | |
|---|------------------|
| Salary increase less than expected for continuing actives | \$10,288,864 |
| Miscellaneous gains including disability and mortality experience | <u>2,936,154</u> |
| Total | \$13,225,018 |

Section 2: Actuarial Valuation Results

Changes in the actuarial accrued liability

The actuarial accrued liability as of July 1, 2019 is \$1,593,646,026, an increase of \$215,458,662, or 15.6%, from the actuarial accrued liability as of the prior valuation date. Of the \$215.5 million increase in liability, \$200.0 million (or 14.5%) was a result of assumption changes. The liability is expected to grow each year with normal cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

Actuarial assumptions

An actuarial experience review for the three-year period ending June 30, 2018 was recently completed. This report reflects the following recommended assumption changes:

- The assumed net investment return was decreased from 8.00% to 7.00%.
- The salary scale was decreased from 3.5% to 3.0% before reflecting longevity.
- The mortality assumption for employees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Employee Mortality Table projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Employee Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The mortality assumption for healthy retirees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Healthy Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The mortality assumption for beneficiaries was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Contingent Survivor Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The mortality assumption for disabled retirees was updated from the RP-2006 Blue Collar Healthy Annuitant Mortality Table set forward three years projected generationally with Scale BB2D to the Pub-2010 (Non-Safety for Class A and Safety for Class B) Disabled Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019.
- The disability, withdrawal and retirement rates for Class A were updated to reflect the latest actuarial experience review as of June 30, 2018.

Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

Section 2: Actuarial Valuation Results

Plan provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit II*.

Section 2: Actuarial Valuation Results

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2019

| | | |
|----------|---|--------------------|
| 1 | Unfunded actuarial accrued liability at beginning of year | \$1,010,588,000 |
| 2 | Normal cost at beginning of year | 20,393,606 |
| 3 | Employer contributions | -83,357,000 |
| 4 | Employee contributions | -12,654,000 |
| 5 | Interest | |
| | • For whole year on 1 + 2 | \$82,478,528 |
| | • For half year on 4 | <u>-457,533</u> |
| | Total interest | <u>82,020,995</u> |
| 6 | Expected unfunded actuarial accrued liability | \$1,016,991,601 |
| 7 | Changes due to: | |
| | • Net loss from investments | \$9,449,097 |
| | • Net gain from other experience | -13,225,018 |
| | • Assumption changes | <u>199,961,810</u> |
| | Total changes | <u>196,185,889</u> |
| 8 | Unfunded actuarial accrued liability at end of year | \$1,213,177,490 |

Section 2: Actuarial Valuation Results

Actuarially determined contribution

The Actuarially Determined Contribution is equal to the employer normal cost payment and a payment on the unfunded actuarial accrued liability. For fiscal 2020 through fiscal 2022, the Actuarially Determined Contribution is set to the previously budgeted amounts of \$86,723,405, \$90,483,926, and \$93,585,059, respectively. The results of this valuation will first be reflected in the fiscal 2023 employer contribution of \$98,475,108 and will be phased in through fiscal 2040. The unfunded liability, less the liability associated with the 1995 Deferral, is amortized through June 30, 2040 with amortization payments that are calculated to increase 5.3% per year (beginning in fiscal 2023). The 1995 deferral liability is amortized through June 30, 2031 in level payments.

The determination of the Actuarially Determined Contribution projected through fiscal 2040 is shown on the following page. Liabilities are rolled forward using standard actuarial techniques and the actuarial value of assets is projected based on anticipated employer contributions and assuming the market value of assets return 7.00% net of investment expenses.

Actuarially Determined Contribution

| | | 2019 | | 2018 | |
|---|--|--------------------|-----------------------------|--------------------|-----------------------------|
| | | Amount | % of Projected Compensation | Amount | % of Projected Compensation |
| 1 | Total normal cost | \$24,016,171 | 15.06% | \$20,393,606 | 13.11% |
| 2 | Expected employee contributions | <u>-12,692,801</u> | <u>-7.96%</u> | <u>-12,375,314</u> | <u>-7.95%</u> |
| 3 | Employer normal cost: (1) + (2) | \$11,323,370 | 7.10% | \$8,018,292 | 5.15% |
| 4 | Actuarial accrued liability | 1,593,646,026 | | 1,378,187,364 | |
| 5 | Actuarial value of assets | <u>380,468,536</u> | | <u>367,599,364</u> | |
| 6 | Unfunded actuarial accrued liability: (4) - (5) | \$1,213,177,490 | | \$1,010,588,000 | |
| 7 | Amortization of unfunded actuarial accrued liability | <u>69,726,541</u> | <u>43.71%</u> | <u>69,164,456</u> | <u>44.45%</u> |
| 8 | Actuarially Determined Contribution for fiscal 2020 and 2019: (3) + (7), adjusted for timing | \$86,723,404 | 54.37% | \$83,357,367 | 53.57% |
| 7 | Projected compensation | \$159,504,851 | | \$155,595,815 | |

Notes:

Fiscal 2020 and 2019 Actuarially Determined Contribution set to previously budgeted amounts. Contributions are assumed to be paid on June 30.

Section 2: Actuarial Valuation Results

Funding schedule

| (1) Fiscal Year Ended June 30: | (2) Employer Normal Cost | (3) Amortization of Deferral Liability | (4) Amortization of Remaining Unfunded Liability | (5) Actuarially Determined Contribution: (2)+(3)+(4) | (6) Increase | (7) Payroll | (8) Contributions as a % of Payroll | (9) Actuarial Accrued Liability | (10) Actuarial Value of Assets | (11) Total Unfunded Actuarial Accrued Liability | (12) Funded Ratio |
|--|--------------------------------|---|--|--|-----------------|----------------|--|--|--------------------------------------|---|-------------------------|
| 2020 | \$12,116,006 | \$440,457 | \$74,166,942 | \$86,723,404 | -- | \$159,504,851 | 54.37% | \$1,593,646,026 | \$380,468,536 | \$1,213,177,490 | 23.87% |
| 2021 | 12,519,188 | 440,457 | 77,524,281 | 90,483,926 | 4.34% | 164,289,997 | 55.08% | 1,618,219,018 | 388,283,360 | 1,229,935,659 | 23.99% |
| 2022 | 12,935,719 | 440,457 | 80,208,882 | 93,585,059 | 3.43% | 169,218,696 | 55.30% | 1,650,379,918 | 410,137,142 | 1,240,242,776 | 24.85% |
| 2023 | 13,366,037 | 440,457 | 84,668,614 | 98,475,108 | 5.23% | 174,295,257 | 56.50% | 1,684,016,601 | 433,796,847 | 1,250,219,754 | 25.76% |
| 2024 | 13,810,597 | 440,457 | 89,360,187 | 103,611,241 | 5.22% | 179,524,115 | 57.71% | 1,718,491,770 | 463,003,651 | 1,255,488,119 | 26.94% |
| 2025 | 14,269,870 | 440,457 | 94,096,277 | 108,806,604 | 5.01% | 184,909,838 | 58.84% | 1,753,131,232 | 499,559,588 | 1,253,571,644 | 28.50% |
| 2026 | 14,744,338 | 440,457 | 99,083,379 | 114,268,174 | 5.02% | 190,457,134 | 60.00% | 1,787,933,550 | 541,148,626 | 1,246,784,924 | 30.27% |
| 2027 | 15,234,503 | 440,457 | 104,334,799 | 120,009,758 | 5.02% | 196,170,848 | 61.18% | 1,823,118,411 | 588,582,379 | 1,234,536,031 | 32.28% |
| 2028 | 15,740,881 | 440,457 | 109,864,543 | 126,045,881 | 5.03% | 202,055,973 | 62.38% | 1,858,659,178 | 642,480,880 | 1,216,178,298 | 34.57% |
| 2029 | 16,264,009 | 440,457 | 115,687,364 | 132,391,829 | 5.03% | 208,117,652 | 63.61% | 1,894,478,019 | 703,472,240 | 1,191,005,779 | 37.13% |
| 2030 | 16,804,435 | 440,457 | 121,818,794 | 139,063,685 | 5.04% | 214,361,182 | 64.87% | 1,930,894,196 | 772,645,834 | 1,158,248,362 | 40.01% |
| 2031 | 17,362,731 | 440,457 | 128,275,190 | 146,078,377 | 5.04% | 220,792,017 | 66.16% | 1,967,890,859 | 850,824,362 | 1,117,066,497 | 43.24% |
| 2032 | 17,939,483 | 0 | 135,073,775 | 153,013,258 | 4.75% | 227,415,778 | 67.28% | 2,005,623,965 | 939,078,461 | 1,066,545,504 | 46.82% |
| 2033 | 18,535,301 | 0 | 142,232,685 | 160,767,985 | 5.07% | 234,238,251 | 68.63% | 2,044,775,305 | 1,038,645,391 | 1,006,129,914 | 50.80% |
| 2034 | 19,150,812 | 0 | 149,771,017 | 168,921,829 | 5.07% | 241,265,399 | 70.01% | 2,085,801,757 | 1,151,475,433 | 934,326,324 | 55.21% |
| 2035 | 19,786,663 | 0 | 157,708,881 | 177,495,543 | 5.08% | 248,503,361 | 71.43% | 2,129,270,295 | 1,279,312,146 | 849,958,150 | 60.08% |
| 2036 | 20,443,524 | 0 | 166,067,452 | 186,510,975 | 5.08% | 255,958,461 | 72.87% | 2,175,463,111 | 1,423,716,771 | 751,746,340 | 65.44% |
| 2037 | 21,122,087 | 0 | 174,869,027 | 195,991,114 | 5.08% | 263,637,215 | 74.34% | 2,224,945,022 | 1,586,643,888 | 638,301,133 | 71.31% |
| 2038 | 21,823,065 | 0 | 184,137,085 | 205,960,150 | 5.09% | 271,546,332 | 75.85% | 2,278,020,855 | 1,769,907,669 | 508,113,186 | 77.69% |
| 2039 | 22,547,195 | 0 | 193,896,350 | 216,443,546 | 5.09% | 279,692,722 | 77.39% | 2,335,443,669 | 1,975,899,646 | 359,544,023 | 84.60% |
| 2040 | 23,295,241 | 0 | 204,172,858 | 227,468,099 | 5.09% | 288,083,503 | 78.96% | 2,397,306,924 | 2,206,491,169 | 190,815,756 | 92.04% |
| 2041 | 24,067,987 | 0 | 0 | 24,067,987 | -89.42% | 296,726,008 | 8.11% | 2,464,161,904 | 2,464,161,904 | 0 | 100.00% |

Notes:

Fiscal 2020, 2021 and 2022 contributions set at previously budgeted amounts.

Contributions are assumed to be paid on June 30. If the contribution is made on a different date, Segal will adjust the interest charge based on the actual date of payment.

Item (2) reflects 3.0% growth in payroll as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvements due to the generational mortality assumption.

Amortization payments of remaining unfunded liability increase at 5.3% per year beginning with fiscal year 2023.

Projected unfunded actuarial accrued liability reflects deferred investment losses. Recognizing deferred investment losses means the System is anticipating investment losses on an actuarial basis.

Normal cost is projected based on plan of benefits of current employees and does not reflect different benefits for new hires, if applicable.

Section 2: Actuarial Valuation Results

Contribution by class and department

The chart below shows the contribution for fiscal 2021 and fiscal 2022 for Class A and Class B.

| | Class A | | Class B - Police | | Class B - Fire | | Class B - Total | |
|--|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Amount | % of Pay | Amount | % of Pay | Amount | % of Pay | Amount | % of Pay |
| 1 Total normal cost | \$9,860,141 | 10.03% | \$7,389,746 | 23.30% | \$6,766,284 | 22.98% | \$14,156,030 | 23.15% |
| 2 Expected employee contributions | <u>-7,858,337</u> | <u>-7.99%</u> | <u>-2,373,169</u> | <u>-7.48%</u> | <u>-2,461,295</u> | <u>-8.36%</u> | <u>-4,834,464</u> | <u>-7.91%</u> |
| 3 Employer normal cost: (1) + (2) | \$2,001,804 | 2.04% | \$5,016,577 | 15.82% | \$4,304,989 | 14.62% | \$9,321,566 | 15.24% |
| 4 Actuarial accrued liability | 545,124,418 | | 501,225,773 | | 547,295,835 | | 1,048,521,608 | |
| 5 Actuarial value of assets | <u>130,143,511</u> | | <u>119,663,108</u> | | <u>130,661,917</u> | | <u>250,325,025</u> | |
| 6 Unfunded actuarial accrued liability (UAAL): (4) - (5) | \$414,980,907 | | \$381,562,665 | | \$416,633,918 | | \$798,196,583 | |
| 7 Total fiscal 2021 contribution | 28,876,718 | 28.51% | 30,065,893 | 92.04% | 31,541,315 | 104.02% | 61,607,208 | 97.80% |
| 8 Projected compensation as of July 1, 2020 | 101,298,888 | | 32,667,715 | | 30,323,394 | | 62,991,109 | |
| 9 Total fiscal 2022 contribution | 29,878,505 | 28.64% | 31,089,072 | 92.40% | 32,617,482 | 104.43% | 63,706,554 | 98.19% |
| 10 Projected compensation as of July 1, 2021 | 104,337,855 | | 33,647,747 | | 31,233,095 | | 64,880,842 | |

Notes:

Contributions are assumed to be paid on June 30. If the contribution is made before or after June 30, Segal will calculate the change in interest charge based on the actual date of payment.

July 1, 2019 actuarial value of assets allocated in proportion to July 1, 2019 actuarial accrued liability.

Class A includes Elected Officials.

Section 2: Actuarial Valuation Results

The chart below shows the contribution for fiscal 2021 and fiscal 2022 for the departments of Class A.

Class A Contribution by Department

| | Fiscal 2021 | | Fiscal 2022 | |
|------------------------------|--------------------|------------------------|--------------------|------------------------|
| | Total Contribution | Projected Compensation | Total Contribution | Projected Compensation |
| General | \$11,949,440 | \$41,918,371 | \$12,363,988 | \$43,175,921 |
| School | 10,726,434 | 37,628,093 | 11,098,554 | 38,756,936 |
| School Crossing Guards | 297,018 | 1,041,931 | 307,322 | 1,073,189 |
| Water | 3,990,727 | 13,999,382 | 4,129,173 | 14,419,364 |
| Workforce Development (JTPA) | 282,152 | 989,782 | 291,940 | 1,019,475 |
| Fire Civilians | 366,766 | 1,286,607 | 379,490 | 1,325,206 |
| Police Civilians | <u>1,264,182</u> | <u>4,434,722</u> | <u>1,308,039</u> | <u>4,567,764</u> |
| Total | \$28,876,718 | \$101,298,888 | \$29,878,505 | \$104,337,855 |

Note:

Contribution is allocated in proportion to projected compensation.

Section 2: Actuarial Valuation Results

Risk

Since the actuarial valuation results are dependent on a given set of assumptions and data as of a specific date, there is a risk that emerging results may differ significantly as actual experience differs from the assumptions.

This report does not contain a detailed analysis of the potential range of future measurements, but does include a brief discussion of some risks that may affect the System. We recommend a more detailed assessment of the risks to provide the Trustees with a better understanding of the risks inherent in the System. This assessment may include scenario testing, sensitivity testing, stress testing and stochastic modeling.

- Investment Risk (the risk that returns will be different than expected)

The market value rate of return over the last 11 years has ranged from a low of -13.42% in 2009 to a high of 21.33% in 2011.

- Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the actuarially determined contribution.

- Contribution Risk (the risk that actual contributions will be different from actuarially determined contribution). If the System pays the actuarially determined contribution (ADC), contribution risk is negligible.

- Demographic Risk (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed
- Disability retirement experience different from assumed
- More or less active participant turnover than assumed
- Salary increases greater or less than expected

- Actual Experience in Recent Years and Implications for the Future

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past several years:

The investment gain(loss) over the past seven years has ranged from a loss of \$19,402,600 to a gain of \$18,753,464.

The non-investment gain(loss) over the past seven years has ranged from a loss of \$15,267,386 to a gain of \$13,225,018.

Since 2010, the funded percentage on the actuarial value of assets has ranged from a high of 34.1% as of June 30, 2010 to a low of 23.9% as of June 30, 2019.

Section 2: Actuarial Valuation Results

- Maturity Measures

As pension plans mature, the cash need to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the System's asset allocation is aligned to meet emerging pension liabilities.

For the prior year, benefits paid were \$6,817,000 more than contributions received. The Plan will need cash from the investment portfolio to meet benefit payments for several years.

Section 3: Supplemental Information

Exhibit A: Table of Plan Coverage – Class A

| Category | Year Ended June 30 | | Change From Prior Year |
|--|--------------------|--------------|------------------------|
| | 2019 | 2018 | |
| Active participants in valuation: | | | |
| • Number | 2,130 | 2,113 | 0.8% |
| • Average age | 48.9 | 48.8 | 0.1 |
| • Average years of service | 12.0 | 12.2 | -0.2 |
| • Total compensation | \$95,453,810 | \$94,062,687 | 1.5% |
| • Average compensation | 44,814 | 44,516 | 0.7% |
| • Participant contributions | 105,932,354 | 102,819,381 | 3.0% |
| Inactive participants in valuation: | | | |
| • Inactive entitled to a refund of employee contributions | 412 | 381 | 8.1% |
| • Inactive participants with a vested right to a deferred or immediate benefit | 64 | 57 | 12.3% |
| Retired participants: | | | |
| • Number in pay status | 1,512 | 1,494 | 1.2% |
| • Average age | 72.7 | 72.5 | 0.2 |
| • Average monthly benefit | \$1,558 | \$1,551 | 0.5% |
| • Number in suspended status | 0 | 2 | -100% |
| Disabled participants: | | | |
| • Number in pay status | 83 | 81 | 2.5% |
| • Average age | 69.7 | 69.1 | 0.6 |
| • Average monthly benefit | \$1,656 | \$1,682 | -1.5% |
| Beneficiaries: | | | |
| • Number in pay status | 196 | 189 | 3.7% |
| • Average age | 76.9 | 76.8 | 0.1 |
| • Average monthly benefit | \$1,326 | \$1,284 | 3.3% |

Note:

Includes elected officials.

Section 3: Supplemental Information

Exhibit B: Table of Plan Coverage – Class B

| Category | Year Ended June 30 | | Change From Prior Year |
|--|--------------------|--------------|------------------------|
| | 2019 | 2018 | |
| Active participants in valuation: | | | |
| • Number | 887 | 880 | 0.8% |
| • Average age | 40.3 | 40.5 | -0.2 |
| • Average years of service | 12.6 | 12.9 | -0.3 |
| • Total compensation | \$59,344,993 | \$55,85,8946 | 6.2% |
| • Average compensation | 66,905 | 63,476 | 5.4% |
| • Participant contributions | 80,686,093 | 79,873,936 | 1.0% |
| Inactive participants in valuation: | | | |
| • Inactive entitled to a refund of employee contributions | 20 | 24 | -16.7% |
| • Inactive participants with a vested right to a deferred or immediate benefit | 4 | 3 | 33.3% |
| Retired participants: | | | |
| • Number in pay status | 732 | 713 | 2.7% |
| • Average age | 65.5 | 65.4 | 0.1 |
| • Average monthly benefit | \$3,329 | \$3,335 | -0.2% |
| • Number in suspended status | 0 | 0 | -- |
| Disabled participants: | | | |
| • Number in pay status | 385 | 393 | -2.0% |
| • Average age | 67.6 | 66.8 | 0.8 |
| • Average monthly benefit | \$4,737 | \$4,739 | 0.0% |
| Beneficiaries: | | | |
| • Number in pay status | 347 | 348 | -0.3% |
| • Average age | 75.8 | 75.7 | 0.1 |
| • Average monthly benefit | \$2,726 | \$2,701 | 0.9% |

Section 3: Supplemental Information

Exhibit C: Participants in Active Service during Year Ended June 30, 2019 – Class A by Age, Years of Service, and Average Compensation

| Age | Years of Service | | | | | | | | | |
|--------------|------------------|------------|------------|------------|------------|------------|------------|-----------|----------|-----------|
| | Total | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 & over | 35 - 39 | 40 & over |
| Under 25 | 44 | 44 | -- | -- | -- | -- | -- | -- | -- | -- |
| | \$36,423 | \$36,423 | -- | -- | -- | -- | -- | -- | -- | -- |
| 25 - 29 | 126 | 103 | 23 | -- | -- | -- | -- | -- | -- | -- |
| | \$41,394 | \$41,381 | \$41,451 | -- | -- | -- | -- | -- | -- | -- |
| 30 - 34 | 165 | 94 | 53 | 18 | -- | -- | -- | -- | -- | -- |
| | \$46,753 | \$49,687 | \$43,251 | \$41,747 | -- | -- | -- | -- | -- | -- |
| 35 - 39 | 182 | 75 | 52 | 37 | 18 | -- | -- | -- | -- | -- |
| | \$46,155 | \$44,646 | \$46,111 | \$49,657 | \$45,374 | -- | -- | -- | -- | -- |
| 40 - 44 | 226 | 68 | 45 | 37 | 46 | 30 | -- | -- | -- | -- |
| | \$46,433 | \$46,140 | \$41,921 | \$50,983 | \$44,107 | \$51,820 | -- | -- | -- | -- |
| 45 - 49 | 312 | 75 | 52 | 42 | 54 | 68 | 18 | 3 | -- | -- |
| | \$46,828 | \$47,755 | \$46,153 | \$40,185 | \$47,725 | \$47,466 | \$51,658 | \$68,798 | -- | -- |
| 50 - 54 | 359 | 64 | 64 | 46 | 70 | 66 | 38 | 11 | -- | -- |
| | \$45,468 | \$38,976 | \$40,568 | \$41,378 | \$43,955 | \$48,645 | \$63,984 | \$55,470 | -- | -- |
| 55 - 59 | 329 | 56 | 60 | 51 | 64 | 56 | 28 | 12 | 2 | -- |
| | \$43,456 | \$42,787 | \$36,608 | \$42,270 | \$40,360 | \$45,429 | \$52,852 | \$67,800 | \$64,121 | -- |
| 60 - 64 | 242 | 27 | 49 | 34 | 44 | 40 | 35 | 8 | 1 | 4 |
| | \$44,029 | \$38,928 | \$36,938 | \$40,158 | \$40,129 | \$43,490 | \$54,657 | \$84,438 | \$52,662 | \$70,545 |
| 65 - 69 | 97 | 18 | 15 | 16 | 21 | 11 | 10 | 4 | 2 | -- |
| | \$45,177 | \$36,451 | \$47,803 | \$44,388 | \$52,294 | \$37,736 | \$50,615 | \$47,127 | \$45,451 | -- |
| 70 & over | 48 | 2 | 7 | 9 | 6 | 6 | 5 | 7 | 2 | 4 |
| | \$36,651 | \$25,450 | \$35,305 | \$28,985 | \$36,014 | \$39,423 | \$45,898 | \$40,571 | \$39,203 | \$38,956 |
| Total | 2,130 | 626 | 420 | 290 | 323 | 277 | 134 | 45 | 7 | 8 |
| | \$44,814 | \$43,533 | \$41,659 | \$43,305 | \$43,847 | \$46,672 | \$55,893 | \$61,737 | \$50,030 | \$54,750 |

Section 3: Supplemental Information

Exhibit D: Participants in Active Service during Year Ended June 30, 2019 – Class B by Age, Years of Service, and Average Compensation

| Age | Years of Service | | | | | | | | | |
|--------------|------------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| | Total | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 & over | 35 - 39 | 40 & over |
| Under 25 | 53 | 53 | - | - | - | - | - | - | - | - |
| | \$49,090 | \$49,090 | - | - | - | - | - | - | - | - |
| 25 - 29 | 145 | 128 | 17 | - | - | - | - | - | - | - |
| | \$52,886 | \$51,572 | \$62,779 | - | - | - | - | - | - | - |
| 30 - 34 | 142 | 83 | 47 | 12 | - | - | - | - | - | - |
| | \$57,016 | \$50,569 | \$64,947 | \$70,544 | - | - | - | - | - | - |
| 35 - 39 | 118 | 32 | 26 | 51 | 9 | - | - | - | - | - |
| | \$65,755 | \$51,933 | \$65,844 | \$72,520 | \$76,305 | - | - | - | - | - |
| 40 - 44 | 97 | 9 | 9 | 31 | 46 | 2 | - | - | - | - |
| | \$70,304 | \$49,741 | \$64,412 | \$71,121 | \$74,753 | \$74,377 | - | - | - | - |
| 45 - 49 | 124 | 1 | 6 | 20 | 48 | 19 | 30 | - | - | - |
| | \$77,439 | \$64,065 | \$64,627 | \$73,174 | \$73,980 | \$80,286 | \$87,022 | - | - | - |
| 50 - 54 | 116 | 1 | - | 8 | 23 | 19 | 36 | 29 | - | - |
| | \$79,273 | \$71,196 | - | \$70,265 | \$73,790 | \$82,688 | \$80,998 | \$82,008 | - | - |
| 55 - 59 | 79 | - | - | 1 | 11 | 3 | 27 | 34 | 2 | 1 |
| | \$82,663 | - | - | \$64,904 | \$76,496 | \$75,504 | \$78,341 | \$86,858 | \$103,429 | \$122,254 |
| 60 - 64 | 13 | - | - | - | 1 | 2 | 3 | 5 | 2 | - |
| | \$83,513 | - | - | - | \$65,033 | \$68,034 | \$78,805 | \$99,597 | \$75,081 | - |
| Total | 887 | 307 | 105 | 123 | 138 | 45 | 96 | 68 | 4 | 1 |
| | \$66,905 | \$50,915 | 64,754 | \$71,872 | \$74,493 | \$80,174 | \$82,065 | \$85,726 | \$89,255 | \$122,254 |

Section 3: Supplemental Information

Exhibit E: Service Retirees as of June 30, 2019

| Age | Class A | | Class B | | Total | |
|------------|----------|---------------|----------|--------------|----------|---------------|
| | Number | Amount | Number | Amount | Number | Amount |
| 40 - 44 | 0 | \$0 | 1 | \$24,938 | 1 | \$24,938 |
| 45 - 49 | 5 | 125,215 | 11 | 314,032 | 16 | 439,248 |
| 50 - 54 | 16 | 534,375 | 85 | 2,722,332 | 101 | 3,256,707 |
| 55 - 59 | 79 | 1,882,023 | 139 | 4,888,634 | 218 | 6,770,656 |
| 60 - 64 | 215 | 4,816,979 | 152 | 6,373,650 | 367 | 11,190,629 |
| 65 - 69 | 327 | 6,439,008 | 112 | 4,728,777 | 439 | 11,167,785 |
| 70 - 74 | 288 | 5,436,676 | 100 | 4,573,249 | 388 | 10,009,926 |
| 75 - 79 | 199 | 3,133,402 | 44 | 2,026,573 | 243 | 5,159,975 |
| 80 - 84 | 169 | 2,442,940 | 38 | 1,623,054 | 207 | 4,065,994 |
| 85 - 89 | 128 | 2,112,970 | 33 | 1,298,641 | 161 | 3,411,611 |
| 90 - 94 | 70 | 1,137,939 | 13 | 526,782 | 83 | 1,664,721 |
| 95 - 99 | 15 | 193,001 | 4 | 142,663 | 19 | 335,664 |
| 100 & over | <u>1</u> | <u>14,173</u> | <u>0</u> | <u>0</u> | <u>1</u> | <u>14,173</u> |
| Total | 1,512 | \$28,268,700 | 732 | \$29,243,326 | 2,244 | \$57,512,026 |

Section 3: Supplemental Information

Exhibit F: Class A Disabled Retirees as of June 30, 2019

| Age | Ordinary | | Accidental | | Total | |
|------------|----------|-----------|------------|-------------|--------|-------------|
| | Number | Amount | Number | Amount | Number | Amount |
| 40 - 44 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| 45 - 49 | 1 | 4,845 | 1 | 33,665 | 2 | 38,510 |
| 50 - 54 | 2 | 49,991 | 2 | 59,962 | 4 | 109,953 |
| 55 - 59 | 10 | 112,989 | 4 | 99,527 | 14 | 212,516 |
| 60 - 64 | 1 | 11,767 | 7 | 172,088 | 8 | 183,855 |
| 65 - 69 | 2 | 21,190 | 9 | 210,284 | 11 | 231,474 |
| 70 - 74 | 1 | 4,087 | 10 | 264,674 | 11 | 268,761 |
| 75 - 79 | 1 | 21,352 | 15 | 255,034 | 16 | 276,386 |
| 80 - 84 | 1 | 10,720 | 11 | 209,044 | 12 | 219,764 |
| 85 - 89 | 0 | 0 | 4 | 82,934 | 4 | 82,934 |
| 90 - 94 | 0 | 0 | 1 | 24,775 | 1 | 24,775 |
| 95 - 99 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100 & over | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 19 | \$236,942 | 64 | \$1,411,986 | 83 | \$1,648,928 |

Section 3: Supplemental Information

Exhibit G: Class B Disabled Retirees as of June 30, 2019

| Age | Ordinary | | Accidental | | Total | |
|--------------|-----------|------------------|------------|---------------------|------------|---------------------|
| | Number | Amount | Number | Amount | Number | Amount |
| 25 - 29 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| 30 - 35 | 0 | 0 | 1 | 36,028 | 1 | 36,028 |
| 35 - 39 | 0 | 0 | 1 | 50,365 | 1 | 50,365 |
| 40 - 44 | 0 | 0 | 4 | 167,552 | 4 | 167,552 |
| 45 - 49 | 4 | 78,132 | 9 | 363,246 | 13 | 441,378 |
| 50 - 54 | 3 | 61,395 | 25 | 1,041,631 | 28 | 1,103,025 |
| 55 - 59 | 5 | 112,589 | 43 | 1,871,087 | 48 | 1,983,676 |
| 60 - 64 | 3 | 54,397 | 60 | 2,889,133 | 63 | 2,943,530 |
| 65 - 69 | 0 | 0 | 50 | 2,888,673 | 50 | 2,888,673 |
| 70 - 74 | 0 | 0 | 74 | 4,486,786 | 74 | 4,486,786 |
| 75 - 79 | 0 | 0 | 49 | 3,451,590 | 49 | 3,451,590 |
| 80 - 84 | 0 | 0 | 27 | 2,287,199 | 27 | 2,287,199 |
| 85 - 89 | 0 | 0 | 21 | 1,555,834 | 21 | 1,555,834 |
| 90 - 94 | 1 | 19,104 | 4 | 431,798 | 5 | 450,902 |
| 95 - 99 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100 & over | 0 | 0 | 1 | 38,951 | 1 | 38,951 |
| Total | 16 | \$325,617 | 369 | \$21,559,874 | 385 | \$21,885,491 |

Section 3: Supplemental Information

Exhibit H: Beneficiaries as of June 30, 2019

| Age | Class A | | Class B | | Total | |
|--------------|---------|-------------|---------|--------------|--------|--------------|
| | Number | Amount | Number | Amount | Number | Amount |
| 20 - 24 | 1 | \$26,292 | 0 | \$0 | 1 | \$26,292 |
| 25 - 29 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 - 35 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 - 39 | 1 | 13,584 | 0 | 0 | 1 | 13,584 |
| 40 - 44 | 0 | 0 | 0 | 0 | 0 | 0 |
| 45 - 49 | 4 | 121,800 | 3 | 86,136 | 7 | 207,936 |
| 50 - 54 | 2 | 56,004 | 8 | 173,244 | 10 | 229,248 |
| 55 - 59 | 8 | 88,716 | 18 | 378,144 | 26 | 466,860 |
| 60 - 64 | 21 | 359,304 | 29 | 731,712 | 50 | 1,091,016 |
| 65 - 69 | 26 | 504,552 | 44 | 1,456,452 | 70 | 1,961,004 |
| 70 - 74 | 21 | 328,164 | 64 | 2,169,348 | 85 | 2,497,512 |
| 75 - 79 | 15 | 222,960 | 37 | 1,339,860 | 52 | 1,562,820 |
| 80 - 84 | 29 | 379,788 | 48 | 1,965,588 | 77 | 2,345,376 |
| 85 - 89 | 31 | 443,112 | 51 | 1,923,972 | 82 | 2,367,084 |
| 90 - 94 | 28 | 472,224 | 35 | 958,500 | 63 | 1,430,724 |
| 95 - 99 | 7 | 80,736 | 8 | 135,996 | 15 | 216,732 |
| 100 & over | 2 | 21,936 | 0 | 0 | 2 | 21,936 |
| Certain Only | 0 | 0 | 2 | 31,704 | 2 | 31,704 |
| Total | 196 | \$3,119,172 | 347 | \$11,350,656 | 543 | \$14,469,828 |

Section 3: Supplemental Information

Exhibit I: Summary Statement of Income and Expenses on a Market Value Basis

| | Year Ended June 30, 2019 | Year Ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Net assets at market value at the beginning of the year | \$358,997,000 | \$348,644,000 |
| Contribution income: | | |
| • Employer contributions | \$83,357,000 | \$78,123,000 |
| • Employee contributions | <u>12,654,000</u> | <u>12,246,000</u> |
| Net contribution income | 96,011,000 | 90,369,000 |
| Net investment income | <u>15,073,000</u> | <u>23,802,000</u> |
| Total income available for benefits | \$111,084,000 | \$114,171,000 |
| Less benefit payments | <u>-102,828,000</u> | <u>-103,818,000</u> |
| Change in reserve for future benefits | \$8,256,000 | \$10,353,000 |
| Net assets at market value at the end of the year | \$367,253,000 | \$358,997,000 |

Section 3: Supplemental Information

Exhibit J: Development of the Fund through June 30, 2019

| Year Ended June 30 | Employer Contributions | Employee Contributions | Net Investment Return | Benefit Payments | Market Value of Assets at Year-End | Actuarial Value of Assets at Year-End | Actuarial Value as a Percent of Market Value |
|-----------------------|---------------------------|---------------------------|-----------------------------|---------------------|---|--|---|
| 2011 | \$56,654,000 | \$10,708,000 | \$71,100,244 | \$89,636,000 | \$416,275,009 | \$422,839,189 | 101.6% |
| 2012 | 48,583,000 | 10,291,000 | 621,797 | 99,273,000 | 380,252,177 | 385,106,813 | 101.3% |
| 2013 | 58,145,000 | 10,940,000 | 31,707,000 | 95,402,000 | 393,059,827 | 380,484,015 | 96.8% |
| 2014 | 62,140,000 | 10,873,000 | 41,549,000 | 96,570,000 | 357,712,000 | 338,253,329 | 94.6% |
| 2015 | 66,876,000 | 11,624,000 | 12,507,000 | 97,651,000 | 351,068,000 | 353,520,549 | 100.7% |
| 2016 | 70,704,000 | 12,043,000 | 7,665,000 | 108,193,000 | 333,287,000 | 349,094,428 | 104.7% |
| 2017 | 72,396,000 | 11,419,000 | 34,630,000 | 103,088,000 | 348,644,000 | 356,030,203 | 102.1% |
| 2018 | 78,123,000 | 12,246,000 | 23,802,000 | 103,818,000 | 358,997,000 | 367,599,364 | 102.4% |
| 2019 | 83,357,000 | 12,654,000 | 15,073,000 | 102,828,000 | 367,253,000 | 380,468,536 | 103.6% |

Notes:

Net investment return is net of investment expenses.

Assets as of July 1, 2013 and earlier years include the discounted contribution expected to be paid by the City for the fiscal year following the valuation date.

Figures do not add due to the inclusion of discounted contributions in 2013 and earlier years.

Section 3: Supplemental Information

Exhibit K: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

| | |
|--|--|
| Actuarial Accrued Liability for Actives: | The equivalent of the accumulated normal costs allocated to the years before the valuation date. |
| Actuarial Accrued Liability for Pensioners and Beneficiaries: | Actuarial Present Value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits. |
| Actuarial Cost Method: | A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution. |
| Actuarial Gain or Loss: | A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected. |
| Actuarially Equivalent: | Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions. |
| Actuarial Present Value (APV): | <p>The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:</p> <p>Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)</p> <p>Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and</p> <p>Discounted according to an assumed rate (or rates) of return to reflect the time value of money.</p> |
| Actuarial Present Value of Future Benefits: | The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due. |

Section 3: Supplemental Information

| | |
|---|--|
| Actuarial Valuation: | The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions. |
| Actuarial Value of Assets (AVA): | The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution. |
| Actuarially Determined: | Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan. |
| Actuarially Determined Contribution (ADC): | The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment. |
| Amortization Method: | A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase. |
| Amortization Payment: | The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability. |
| Assumptions or Actuarial Assumptions: | The estimates upon which the cost of the Plan is calculated, including: <u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future; <u>Mortality rates</u> - the rate or probability of death at a given age for employees and pensioners; <u>Retirement rates</u> - the rate or probability of retirement at a given age or service; <u>Disability rates</u> - the rate or probability of disability retirement at a given age; <u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; <u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases. |
| Closed Amortization Period: | A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period. |
| Decrements: | Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal. |

Section 3: Supplemental Information

| | |
|---------------------------------------|---|
| Defined Benefit Plan: | A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service. |
| Defined Contribution Plan: | A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance. |
| Employer Normal Cost: | The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions. |
| Experience Study: | A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary. |
| Funded Ratio: | The ratio of the Actuarial Value of Assets (AVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA. |
| GASB 67 and GASB 68: | Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves. |
| Investment Return: | The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. |
| Net Pension Liability (NPL): | The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position. |
| Normal Cost: | The portion of the Actuarial Present Value of Future Benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated. |
| Open Amortization Period: | An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period. |
| Plan Fiduciary Net Position: | Market value of assets. |
| Total Pension Liability (TPL): | The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68. |

Section 3: Supplemental Information

| | |
|--|---|
| Unfunded Actuarial Accrued Liability: | The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability. |
| Valuation Date or Actuarial Valuation Date: | The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date. |

Section 4: Actuarial Valuation Basis

Exhibit I: Actuarial Assumptions, Actuarial Cost Method and Models

| Rationale for Demographic and Noneconomic Assumptions: | The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the Actuarial Experience Review as of June 30, 2018. | | | | | | | | | | | | | | | | | | | | | | |
|---|--|----------------|---------------------------------------|-------------------------|--|--------|----|---------|----|---------|----|-----|----|-------------------------|-------------------------------------|--------|----|---------|----|---------|----|-----|----|
| Net Investment Return: | 7.00% (previously, 8.00%) | | | | | | | | | | | | | | | | | | | | | | |
| Interest on Employee Contributions: | 4.00%, compounded weekly. No interest for inactive members after five years. | | | | | | | | | | | | | | | | | | | | | | |
| Salary Increases: | 3.0% (previously, 3.5%) per year, before reflecting longevity. Base wages are increased by the following percentages to reflect longevity compensation: | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Class A</th> <th>Rate of base wage increase (%)</th> </tr> <tr> <th>Years of Service</th> <th>Hired on or before October 23, 1999</th> </tr> </thead> <tbody> <tr> <td>5 – 10</td> <td>4%</td> </tr> <tr> <td>10 – 15</td> <td>5%</td> </tr> <tr> <td>15 – 20</td> <td>6%</td> </tr> <tr> <td>20+</td> <td>7%</td> </tr> <tr> <th>Years of Service</th> <th>Hired after October 23, 1999</th> </tr> <tr> <td>7 – 12</td> <td>3%</td> </tr> <tr> <td>12 – 17</td> <td>4%</td> </tr> <tr> <td>17 – 20</td> <td>5%</td> </tr> <tr> <td>20+</td> <td>6%</td> </tr> </tbody> </table> | Class A | Rate of base wage increase (%) | Years of Service | Hired on or before October 23, 1999 | 5 – 10 | 4% | 10 – 15 | 5% | 15 – 20 | 6% | 20+ | 7% | Years of Service | Hired after October 23, 1999 | 7 – 12 | 3% | 12 – 17 | 4% | 17 – 20 | 5% | 20+ | 6% |
| Class A | Rate of base wage increase (%) | | | | | | | | | | | | | | | | | | | | | | |
| Years of Service | Hired on or before October 23, 1999 | | | | | | | | | | | | | | | | | | | | | | |
| 5 – 10 | 4% | | | | | | | | | | | | | | | | | | | | | | |
| 10 – 15 | 5% | | | | | | | | | | | | | | | | | | | | | | |
| 15 – 20 | 6% | | | | | | | | | | | | | | | | | | | | | | |
| 20+ | 7% | | | | | | | | | | | | | | | | | | | | | | |
| Years of Service | Hired after October 23, 1999 | | | | | | | | | | | | | | | | | | | | | | |
| 7 – 12 | 3% | | | | | | | | | | | | | | | | | | | | | | |
| 12 – 17 | 4% | | | | | | | | | | | | | | | | | | | | | | |
| 17 – 20 | 5% | | | | | | | | | | | | | | | | | | | | | | |
| 20+ | 6% | | | | | | | | | | | | | | | | | | | | | | |

Section 4: Actuarial Valuation Basis

| Class B – Fire | Rate of base wage increase (%) |
|-------------------------|---|
| Years of Service | Hired on or before June 30, 1996 |
| 5 – 10 | 8% |
| 10 – 15 | 9% |
| 15 – 20 | 10% |
| 20+ | 11% |
| Years of Service | Hired after June 30, 1996 |
| 5 – 10 | 7% |
| 10 – 15 | 8% |
| 15 – 20 | 9% |
| 20+ | 10% |

| Class B – Police | Rate of base wage increase (%) |
|-------------------------|---|
| Years of Service | Hired on or before June 30, 1998 |
| 6 – 11 | 8% |
| 11 – 16 | 9% |
| 16 – 21 | 10% |
| 21+ | 11% |
| Years of Service | Hired after June 30, 1998 |
| 6 – 11 | 7% |
| 11 – 16 | 8% |
| 16 – 21 | 9% |

Section 4: Actuarial Valuation Basis

COLA:

COLAs commence on January 1, 2023, except for widows of accidental death participants who receive an immediate COLA and participants identified by the City who opted out of the Consent Judgments agreed to by the City.

For participants who opted out of the Consent Judgements, COLA's will commence on January 1, 2037, when the Plan was projected to be greater than 70% funded with the prior valuation. Any Class B retired participant whose total benefit is greater than the base of compensation of a current employee holding the same rank that the retiree held at the time of retirement will not receive a COLA in any year until this is no longer true. We have assumed that Class B average compensation for all ranks will increase by 3.0% per year. Future COLAs will not exceed 3% per year.

Mortality Rates:

Pre-Retirement

- Class A Healthy: Pub-2010 General Employee Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP-2006 Employee Mortality Table projected generationally with Scale BB2D)
- Class B Healthy: Pub-2010 Safety Employee Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP 2006 Blue Collar Employee Mortality Table projected generationally with Scale BB2D)

Post-Retirement

- Class A Healthy Retiree: Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP-2006 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D)
- Class B Healthy Retiree: Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP-2006 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D)
- Class A Beneficiary: Pub-2010 General Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP-2006 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D)
- Class B Beneficiary: Pub-2010 Safety Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP-2006 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D)
- Class A Disabled Retirees: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP 2006 Blue Collar Healthy Annuitant Mortality Table set forward three years projected generationally with Scale BB2D)
- Class B Disabled Retirees: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019 (previously, RP 2006 Blue Collar Healthy Annuitant Mortality Table set forward three years projected generationally with Scale BB2D)

Section 4: Actuarial Valuation Basis

Annuitant Mortality Rates:

| Age | Rate per year (%) | | | | | |
|-----|-------------------|--------|-------------|--------|----------|--------|
| | Class A | | | | | |
| | Healthy | | Beneficiary | | Disabled | |
| | Male | Female | Male | Female | Male | Female |
| 55 | 0.43 | 0.29 | 0.82 | 0.45 | 2.11 | 1.74 |
| 60 | 0.62 | 0.38 | 1.01 | 0.62 | 2.50 | 1.96 |
| 65 | 0.91 | 0.61 | 1.38 | 0.90 | 3.04 | 2.26 |
| 70 | 1.53 | 1.06 | 2.13 | 1.35 | 3.90 | 2.86 |
| 75 | 2.67 | 1.88 | 3.38 | 2.15 | 5.19 | 4.00 |
| 80 | 4.77 | 3.36 | 5.36 | 3.57 | 7.35 | 6.01 |
| 85 | 8.59 | 6.21 | 8.74 | 6.32 | 10.82 | 9.33 |
| 90 | 14.67 | 11.49 | 14.42 | 11.33 | 16.25 | 13.67 |

| Age | Class B | | | | | |
|-----|---------|--------|-------------|--------|----------|--------|
| | Healthy | | Beneficiary | | Disabled | |
| | Male | Female | Male | Female | Male | Female |
| | 55 | 0.31 | 0.26 | 0.82 | 0.45 | 0.48 |
| 60 | 0.51 | 0.45 | 1.01 | 0.62 | 0.74 | 0.70 |
| 65 | 0.88 | 0.77 | 1.38 | 0.90 | 1.19 | 1.06 |
| 70 | 1.57 | 1.33 | 2.13 | 1.35 | 1.91 | 1.61 |
| 75 | 2.83 | 2.30 | 3.38 | 2.15 | 3.24 | 2.44 |
| 80 | 5.10 | 3.96 | 5.36 | 3.57 | 5.60 | 3.96 |
| 85 | 9.14 | 6.84 | 8.74 | 6.32 | 9.21 | 6.84 |
| 90 | 15.86 | 11.82 | 14.42 | 11.33 | 15.86 | 11.82 |

Section 4: Actuarial Valuation Basis

Termination Rates before Retirement:

| Age | Class A – Rate (%) | | |
|-----|--------------------|--------|------------|
| | Mortality | | |
| | Male | Female | Disability |
| 20 | 0.04 | 0.01 | 0.02 |
| 25 | 0.03 | 0.01 | 0.02 |
| 30 | 0.04 | 0.02 | 0.04 |
| 35 | 0.05 | 0.02 | 0.06 |
| 40 | 0.07 | 0.04 | 0.08 |
| 45 | 0.10 | 0.06 | 0.13 |
| 50 | 0.15 | 0.08 | 0.17 |
| 55 | 0.22 | 0.12 | 0.21 |
| 60 | 0.32 | 0.19 | 0.27 |

Notes:

Mortality rates do not reflect generational projection.

33.33% of the disability rates shown represent accidental disability.

40.00% of the death rates shown represent accidental death.

Section 4: Actuarial Valuation Basis

| Age | Class B – Rate (%) | | |
|-----|--------------------|--------|------------|
| | Mortality | | |
| | Male | Female | Disability |
| 20 | 0.04 | 0.02 | 0.08 |
| 25 | 0.04 | 0.02 | 0.13 |
| 30 | 0.04 | 0.03 | 0.19 |
| 35 | 0.05 | 0.04 | 0.25 |
| 40 | 0.06 | 0.05 | 0.37 |
| 45 | 0.08 | 0.07 | 0.66 |
| 50 | 0.12 | 0.09 | 1.14 |
| 55 | 0.18 | 0.12 | 1.64 |
| 60 | 0.26 | 0.17 | 2.28 |

Notes:

Mortality rates do not reflect generational projection.

90% of the disability rates shown represent accidental disability.

50% of the death rates shown represent accidental death.

Withdrawal Rates:

| Age | Rate per year (%) | |
|-----|-------------------|---------|
| | Class A | Class B |
| 20 | 20.00 | 2.50 |
| 25 | 15.00 | 1.90 |
| 30 | 12.50 | 1.40 |
| 35 | 10.00 | 0.90 |
| 40 | 8.70 | 0.55 |
| 45 | 7.50 | 0.35 |
| 50 | 6.20 | 0.15 |
| 55 | 5.00 | 0.00 |
| 60 | 5.00 | 0.00 |

Section 4: Actuarial Valuation Basis

Retirement Rates:

| Age | Rate per year (%) | | |
|---------|-----------------------------------|--------------------------------|---------|
| | Class A | | Class B |
| | Fewer than 10 Years of Service | 10 Years of Service or More | |
| 40 | 2.00 | 2.50 | 5.50 |
| 41 | 2.25 | 2.50 | 5.50 |
| 42 | 2.50 | 2.50 | 5.50 |
| 43 | 2.75 | 2.50 | 5.50 |
| 44 | 3.00 | 2.50 | 5.50 |
| 45 | 3.25 | 7.50 | 5.75 |
| 46 | 3.50 | 7.50 | 6.00 |
| 47 | 3.75 | 7.50 | 6.25 |
| 48 | 4.00 | 7.50 | 6.50 |
| 49 | 4.25 | 7.50 | 6.75 |
| 50 | 4.50 | 7.50 | 7.00 |
| 51 | 5.00 | 10.00 | 7.25 |
| 52 | 5.50 | 10.00 | 7.50 |
| 53 | 6.00 | 10.00 | 7.75 |
| 54 | 6.50 | 10.00 | 8.00 |
| 55 | 7.00 | 10.00 | 10.00 |
| 56 | 7.00 | 10.00 | 12.50 |
| 57 | 7.00 | 10.00 | 15.00 |
| 58 | 7.00 | 10.00 | 17.50 |
| 59 | 7.00 | 10.00 | 25.00 |
| 60 | 10.00 | 7.50 | 100.00 |
| 61 | 11.00 | 7.50 | -- |
| 62 | 12.00 | 15.00 | -- |
| 63 | 13.00 | 15.00 | -- |
| 64 | 14.00 | 15.00 | -- |
| 65 | 15.00 | 20.00 | -- |
| 66 – 74 | 15.00 | 20.00 | -- |
| 75 | 100.00 | 100.00 | -- |

Section 4: Actuarial Valuation Basis

| | |
|---|---|
| Retirement Rates for Vested Former Participants: | <ul style="list-style-type: none"> • Vested former participants who terminated after June 30, 2013: Assumed to retire at minimum age for a Normal Service Retirement. • Vested participants who terminated prior to June 30, 2013: Assumed to take an immediate refund of their employee contributions. • Current active participants who terminate after valuation date: <ul style="list-style-type: none"> – Participants in the Fire department who terminate with 20 or more years of service are assumed to retire on their 25th anniversary of employment. Other participants who terminate at age 45 or older and are vested are assumed to retire at their minimum age for a Normal Service Retirement and who terminate prior to age 45 or without vesting are assumed to take an immediate refund of their employee contributions. |
| <p>The retirement age for inactive vested participants was based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment.</p> | |
| Unknown Data for Members: | <p>Same as those exhibited by participants with similar known characteristics. For retirees missing beneficiary information, Class A members who elected Option 2 or 3 are assumed to have a beneficiary of the opposite sex with males three years older than females. Class B members who did not elect Option 1 are assumed to be married to someone the same age.</p> |
| Percent Married: | 80% |
| Age of Spouse: | Females three years younger than males for Class A. Females and males the same age for Class B. |
| Total Service: | <p>Total service is based on date of hire provided in the data. In addition, 1.0 and 0.5 years of service were added to the service totals for participants of the Police and Fire departments, respectively, to estimate the impact of Purchased Service.</p> |
| 2019 Salary: | <p>Salaries for the year ending June 30, 2019 are equal to the total of pensionable wages earned during the plan year as provided in the data, except for participants who were hired during the plan year, those who were in transition from active to retiree status as of July 1, 2019 and participants receiving worker's compensation, for whom current rate of pay was provided.</p> |
| Benefit Election: | All participants are assumed to elect the Maximum Retirement Option. |
| Actuarial Value of Assets: | <p>Market value of assets as reported in the City's Financial Statement less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected market return, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.</p> |
| Actuarial Cost Method: | <p>Entry Age Normal Actuarial Cost Method. Entry Age is the age of the participant at date of hire. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. Normal Cost is determined by using the plan of benefits applicable to each participant.</p> |

Section 4: Actuarial Valuation Basis

Models:

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Justification for Change in Actuarial Assumptions:

Based on past experience and future expectations, the following actuarial assumptions were changed as of July 1, 2019:

- The assumed net investment return was decreased from 8.00% to 7.00%
- The salary scale was decreased from 3.5% to 3.0% before reflecting longevity
- The mortality assumption for employees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Employee Mortality Table projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Employee Amount-Weighted Mortality Tables projected generationally with Scale MP-2019
- The mortality assumption for healthy retirees was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Healthy Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019
- The mortality assumption for beneficiaries was updated from the RP-2006 (no collar adjustment for Class A and blue collar for Class B) Healthy Annuitant Mortality Table set forward one year projected generationally with Scale BB2D to the Pub-2010 (General for Class A and Safety for Class B) Contingent Survivor Amount-Weighted Mortality Tables projected generationally with Scale MP-2019
- The mortality assumption for disabled retirees was updated from the RP-2006 Blue Collar Healthy Annuitant Mortality Table set forward three years projected generationally with Scale BB2D to the Pub-2010 (Non-Safety for Class A and Safety for Class B) Disabled Retiree Amount-Weighted Mortality Tables projected generationally with Scale MP-2019
- The disability, withdrawal and retirement rates for Class A were updated to reflect the latest actuarial experience review as of June 30, 2018

Section 4: Actuarial Valuation Basis

Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

| | |
|---------------------------|--|
| Plan Year: | July 1 through June 30 |
| Plan Status: | Ongoing |
| Normal Retirement: | <ul style="list-style-type: none">• <i>Age and Service Requirements:</i> The minimum age for normal service retirement is:<ul style="list-style-type: none">– Class A members hired prior to July 1, 1995: Age 55 or the age at which 25 years of service are completed, if earlier.– Class A members hired between July 1, 1995 and June 30, 2004: Age 55 or the age at which 30 years of service are completed, if earlier.– Class A members hired between July 1, 2004 and June 30, 2009: Age 60 or the age at which 30 years of service are completed, if earlier.– Class A members hired on or after July 1, 2009: Age 62 with 10 years of service or the age at which 30 years of service are completed, if earlier.– Class B members of the Police Department hired prior to July 1, 2011: Age 55 or the age at which 20 years of service are completed, if earlier.– Class B members of the Police Department hired on or after July 1, 2011: Age 55 or the age at which 25 years of service are completed, if earlier.– Class B members of the Fire Department hired prior to September 18, 2010: Age 55 or the age at which 20 years of service are completed, if earlier.– Class B members of the Fire Department hired between September 18, 2010 and June 30, 2012: Age 55 or the age at which 23 years of service are completed, if earlier.– Class B members of the Fire Department hired on or after July 1, 2012: Age 55 or the age at which 23 years of service are completed, if earlier, BUT cannot commence payment until the 25th anniversary of membership date.• <i>Amount:</i><ul style="list-style-type: none">– Annuity Based on Member Contributions: An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.– Pension Based on City Contributions:<ul style="list-style-type: none">– Class A members hired prior to July 1, 1996: A pension which, when added to the annuity, exclusive of any excess annuity, will give a total retirement allowance of 2.5% of final compensation for each year of total service credited not in excess of 20 years, plus 2% of final compensation for each year of total service credited in excess of 20 years, limited to 100% of final compensation. |

Section 4: Actuarial Valuation Basis

- Class A members hired on or after July 1, 1996: A pension which, when added to the annuity, exclusive of any excess annuity, will give a total retirement allowance of 2% of final compensation for each year of total service credited, limited to 100% of final compensation.
- Fire: A pension which, when added to the annuity, exclusive of any excess annuity, will give a total retirement allowance of 2.5% of final compensation for each year of total service credited not in excess of 20 years, plus 2% of final compensation for each year of total service credited in excess of 20 years, limited to 75% of final compensation.
- Police: A pension which, when added to the annuity, exclusive of any excess annuity, equals:
 - Members hired prior to September 1, 2001:

| Years of Service | Percentage of Final Compensation | Years of Service | Percentage of Final Compensation |
|------------------|----------------------------------|------------------|----------------------------------|
| Prior to 20 | 2.5% per year | 26 | 62% |
| 20 | 50% | 27 | 64% |
| 21 | 52% | 28 | 66% |
| 22 | 54% | 29 | 68% |
| 23 | 56% | 30 | 75% |
| 24 | 58% | 31 | 72% |
| 25 | 65% | 32 | 80% |

- Members hired on or after September 1, 2001 and prior to July 1, 2011:

| Years of Service | Percentage of Final Compensation | Years of Service | Percentage of Final Compensation |
|------------------|----------------------------------|------------------|----------------------------------|
| Prior to 20 | 2.5% per year | 26 | 62% |
| 20 | 50% | 27 | 64% |
| 21 | 52% | 28 | 66% |
| 22 | 54% | 29 | 68% |
| 23 | 56% | 30 | 75% |
| 24 | 58% | 31 | 72% |
| 25 | 65% | 32 | 80% |

Section 4: Actuarial Valuation Basis

- Members hired on or after July 1, 2011:

| Years of Service | Percentage of Final Compensation | Years of Service | Percentage of Final Compensation |
|------------------|----------------------------------|------------------|----------------------------------|
| Prior to 25 | 2.5% per year | 30 | 62.5% |
| 25 | 50.0% | 31 | 65.0% |
| 26 | 52.5% | 32 | 67.5% |
| 27 | 55.0% | 33 | 70.0% |
| 28 | 57.5% | 34 | 72.5% |
| 29 | 60.0% | 35 | 75.0% |

- For Non-Union members of the Police Department, the same benefits as described above, but with a maximum benefit of 75% of compensation.

Final compensation is the average of the highest four years of base compensation including longevity pay earned by a member during his total service as an employee.

Early Retirement:

- Age Requirement:* Age 55 for Class A members hired on or after July 1, 2004. Other members will not receive early retirement benefits.
- Service Requirement:* 10 years of service.
- Amount:*
 - Class A members hired between July 1, 2004 and June 30, 2009: The member's Normal Service Retirement benefit reduced by 5/12% per month for each month between retirement commencement and age 60.
 - Class A members hired on or after July 1, 2009: The member's Normal Service Retirement benefit reduced by 5/12% per month for each month between retirement commencement and age 62.

Deferred Retirement:

- Age Requirement:* Minimum age for Normal Service Retirement.
- Service Requirement:* 10 years of service.
- Amount:* Same as Normal Service Retirement.

Any member who withdraws from employment is eligible to receive a refund of his or her accumulated contributions at withdrawal, in lieu of a Deferred Retirement benefit.

Section 4: Actuarial Valuation Basis

Ordinary Disability Retirement:

- *Age Requirement:* None
- *Service Requirement:* For members of the Police Department, 10 years of service, but fewer than 20. For all others, 10 years of service.
- *Amount:*
 - Annuity Based on Member Contributions: An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his retirement.
 - Pension Based on City Contributions:
 - Class A members: A pension which, when added to the annuity, exclusive of any excess annuity, will give a total retirement allowance of 90% of 2% of final compensation for each year of total service which would have been credited had the member continued in service to the minimum age for a Normal Service Retirement. Such retirement allowance, exclusive of any excess annuity, is not to exceed 45% of final compensation.
 - Police: A pension which, when added to the annuity, will give a total retirement allowance equal to a percentage of final compensation, as described in the following table:

| Years of Service | Percentage of Final Compensation | Years of Service | Percentage of Final Compensation |
|------------------|----------------------------------|------------------|----------------------------------|
| 10 | 22.50% | 15 | 33.75% |
| 11 | 24.75% | 16 | 36.00% |
| 12 | 27.00% | 17 | 38.25% |
| 13 | 29.25% | 18 | 40.50% |
| 14 | 31.50% | 19 | 42.75% |

- Fire: A pension which, when added to the annuity, exclusive of any excess annuity, will give a total retirement allowance of 90% of 2.5% of final compensation for each year of total service which would have been credited had the member continued in service to the minimum age for a Normal Service Retirement. Such retirement allowance, exclusive of any excess annuity, is not to exceed 45% of the member's final compensation.

Section 4: Actuarial Valuation Basis

Accidental Disability Retirement:

- *Age Requirement:* None
- *Service Requirement:* None
- *Amount:*
 - Annuity Based on Member Contributions: An annuity that is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.
 - Pension Based on City Contributions: A pension of 66-2/3% of final compensation, but not less than the Normal Service Retirement allowance. Upon the death of a member within 5 years after accidental disability retirement as a result of an accident while in the performance of duty, a pension of one-half of the member's final compensation is paid to his or her widow until he or she dies or remarries, at which point the pension is paid to his or her child or children until they attain age 19. Upon the death of a Class B member beyond 5 years, 67.5% of his or her monthly benefit will be paid to his or her surviving spouse.

Accidental Death Benefit

- *Age Requirement:* None
- *Service Requirement:* None
- *Amount:* If a member dies due to an accident in the performance of duty, a pension of one-half of the member's final compensation is paid to his or her surviving spouse until he or she dies or remarries, at which point the pension is payable to his or her child or children until they attain age 19. If there are no other dependents, the pension is payable to his or her dependent parents. In addition, a lump sum payment of the member's accumulated contributions is made.

Ordinary Death Benefit:

Should a member die before retirement, his or her estate or beneficiary is entitled to a refund of the member's accumulated contributions. If the member has attained minimum retirement age, has not made an optional election as described below and is survived by a spouse, such spouse is entitled, in lieu of the return of the member's accumulated contributions, to a benefit equal to that which would have been payable to such spouse upon the death of the member had the member retired on the day of his or her death and elected to receive a benefit under the provisions of Option 2, as described below, and nominated such spouse as his or her designated beneficiary. For a Class B member, the benefit to the spouse shall not be less than 67½% of the benefit that would have been paid to such retired member without reduction.

Benefit upon Death after Retirement:

- *Class A:* Benefits under any option as described below.
- *Class B:* Upon the death of a Class B pensioner, 67½% of his or her retirement allowance is paid to his or her surviving spouse until he or she dies or remarries, at which point the benefit is paid to any dependent children until they attain age 18.

Section 4: Actuarial Valuation Basis

Options at Retirement:

- *Maximum Retirement Option:* An unreduced retirement allowance payable during the retired member's life, where no monthly payments will continue to the member's beneficiary, but where, upon the member's death, any unpaid portion of his or her accumulated contributions will be paid to his or her beneficiary.
- *Option 1:* A reduced retirement allowance payable during the retired member's life, where no monthly payments will continue to the member's beneficiary, but where, upon the member's death, any amount that payments made are less than the present value of his or her retirement allowance at his or her date of retirement will be paid to his or her beneficiary.
- *Option 2:* A reduced retirement allowance payable during the retired member's life, where upon the member's death, the entire monthly benefit will continue to be paid to his or her beneficiary for the remainder of his or her life.
- *Option 3:* A reduced retirement allowance payable during the retired member's life, where upon the member's death, 50% of the monthly benefit will continue to be paid to his or her beneficiary for the remainder of his or her life.
- *Option 4:* An unreduced retirement allowance payable during the retired member's life, where the member's accumulated contributions are paid immediately as a lump sum payment, with the pension portion of his or her benefit payable during the retired member's life, where no monthly payments will continue to the member's beneficiary.

Class B members who retire on an Accidental Disability Retirement may not elect Option 4.

Class B members may not elect Options 2 or 3.

Married Class B members may not elect Option 1.

Section 4: Actuarial Valuation Basis

Cost of Living Adjustment: A ten-year freeze period was implemented effective January 1, 2013 and no COLAs will be granted during this period. COLAs will resume on January 1, 2023. Once COLAs resume, they will be paid in the amount of the lesser of 3% compounded or the percentage the member received prior to the freeze, provided that their total benefit is lower than 150% of the Rhode Island state median income and is lower than the base compensation of a current employee holding the same rank that the retiree held at the time of retirement. If the member's benefit is above either of these amounts, no COLA will be granted. 150% of the state median income as reported by the City was approximately \$80,000 as of the valuation date. It is assumed that the median income will increase by 3.5% per year.

The following COLAs will resume on January 1, 2023:

- *Class A:* 3% compounded for certain eligible members who retired prior to December 18, 1991 and were not members of Local 1033. 3% simple on first \$12,000 of annual benefit for members of Local 1033 who retired prior to December 18, 1991. None for members who retired after December 18, 1991.
- *Police:* 5% compounded for members who retired prior to January 1, 1990; 6% compounded for members who retired between January 1, 1990 and December 18, 1991; 5% compounded for members who retired between December 19, 1991 and December 31, 1992; 3% simple on first \$12,000 of annual benefit for Non-Union Police who retired January 1, 1993 and later; 3% compounded for other retired members who retired January 1, 1993 and later; 5% compounded for special court awarded members; for all members hired on or after July 1, 2012, the COLA will be based on the Consumer Price Index for the Northeast Region but shall not be less than 1% and shall not exceed 3% simple and 150% of the Rhode Island state median income.
- *Fire:* 5% compounded for members who retired prior to January 1, 1990; 6% compounded for members who retired between January 1, 1990 and December 18, 1991; 5% compounded for members who retired between December 19, 1991 and June 30, 1992; 6% compounded for members who retired between July 1, 1992 and June 30, 1995; 3% simple on first \$12,000 of annual benefit for members who retired between July 1, 1995 and March 16, 2006; 3% compounded for members who retired March 17, 2006 or later; 5% compounded for special court awarded members; for all members hired on or after July 1, 2012, the COLA will be based on the Consumer Price Index for the Northeast Region but shall not exceed 3% simple.

The initial COLA payment is deferred until the January 1 that occurs three years after the member's retirement date.

Provisions for Elected Officials:

Any person who has served as Mayor or City Councilman for at least eight full legislative years prior to January 2015 is entitled to an additional retirement allowance on the basis of such service as an elected official upon attainment of age 52 or the completion of 20 consecutive years as an elected official, whichever is earlier, or the occurrence of total and permanent disability prior thereto.

Such retirement allowance is currently \$350 for each year of service, provided that no more than 20 years of such service are to be used in determining the allowance.

Upon the death of any such elected official, benefits are payable in accordance with the Class A provisions of the act.

An elected official may elect to withdraw his accumulated contributions in lieu of his rights to the allowance based on service as an elected official.

Section 4: Actuarial Valuation Basis

Contribution Rates

- *Class A*: 8% of compensation.
- *Police*: 8% of compensation
- *Firefighters hired before July 1, 2011*: 8% of compensation.
- *Firefighters hired on or after July 1, 2011*: 9% of compensation.
- *Elected Officials*: \$350 per year.

Class B member contributions may cease after 32.5 years of service.

Changes in Plan Provisions:

There have been no changes in plan provisions since the last valuation.
