

March 14, 2013

Mr. Adam Cloud, Secretary  
City of Hartford Pension Commission  
Office of the Treasurer  
550 Main Street  
Hartford, CT 06103

*Re: 2012 MERF Actuarial Survey*

Dear Adam:

We are pleased to present the Annual Valuation of the City of Hartford Municipal Employees' Retirement Fund for 2012. Eleven additional copies are included for distribution. We have shown the recommended contribution for the 2013-2014 fiscal year as a percentage of payroll, as well as an *estimated* dollar amount.

*Recommended contribution rates are as follows:*

	<b>Recommended Fiscal Year 2013-2014 Contribution (2012 MERF Actuarial Survey)</b>		<b>Recommended Fiscal Year 2012-2013 Contribution (2011 MERF Actuarial Survey)</b>	
	<b>% Of Payroll</b>	<b>Dollar Amount (in millions, est.)</b>	<b>% Of Payroll</b>	<b>Dollar Amount (in millions, est.)</b>
Police	40.02%	\$16.91	32.56%	\$13.19
Firefighters	28.07%	8.82	21.67%	6.97
Board of Education	9.43%	3.86	8.49%	3.48
Municipal Services	45.89%	12.42	43.92%	11.47
Library	24.18%	<u>1.19</u>	22.83%	<u>1.02</u>
Total		\$43.20		36.13

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Mr. Adam Cloud, Secretary  
*Re: 2012 MERF Actuarial Survey*

Please see Section I of the attached report for analysis and discussion regarding the changes in the contribution requirements from last year to this year, as well as expectations for future increases. In addition, there is an overview of certain upcoming changes to the GASB reporting requirements for your review.

As always, we are available to answer any questions you or the Pension Commission may have.

Sincerely,

Elizabeth J. Churney

Ellen A. Kucenski

/aps

Enclosure

Copy with enclosure: Donna P. Parker

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**City of Hartford  
Municipal  
Employees'  
Retirement Fund  
(MERF)**

Actuarial Survey

July 1, 2012

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March 14, 2013

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# Section I

## Valuation Report

### A. Purpose of the Valuation

The purpose of the valuation is to determine the funded status of the plan as well as the recommended cash contribution for the plan year. The information found in Section II of the report has been developed for this purpose.

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

<i>City's ultimate cost</i>	=	<i>benefits paid</i>	+	<i>expenses incurred</i>	-	<i>investment return</i>	=	<i>employee contributions</i>
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### B. Contribution for 2013-2014 Fiscal Year

The City's recommended contribution for the 2013-2014 fiscal year, determined from the July 1, 2012 actuarial valuation, is shown below. We have shown the recommended contribution for the 2013-2014 fiscal year as a percentage of payroll, as well as an *estimated* dollar amount.

	Recommended 2013-2014 Fiscal Year Contribution (July 1, 2012 Valuation)		Recommended 2012-2013 Fiscal Year Contribution (July 1, 2011 Valuation)	
	% of payroll	\$ in millions (est.)	% of payroll	\$ in millions (est.)
Police	40.02%	\$16.91	32.56%	\$13.19
Firefighters	28.07%	\$8.82	21.67%	\$6.97
Board of Education	9.43%	\$3.86	8.49%	\$3.48
Municipal Services	45.89%	\$12.42	43.92%	\$11.47
Library	24.18%	\$1.19	22.83%	\$1.02
<b>Total</b>		<b>\$43.20</b>		<b>\$36.13</b>

Please see Section II, Exhibit A for the development of these figures.

The recommended City contribution is expressed as a percentage of the payroll for each of the five groups of employees covered by the plan: Police, Firefighters, Board of Education, Municipal Services, and Library. Under the cost method currently used by the MERF, the annual contribution is first developed as a flat dollar amount for each group and then converted to a percentage of payroll using an *estimated* payroll figure. Each of those percentages is then applied against the *actual* payroll for each group for the fiscal year, to yield the *actual* dollar amount of the cash contribution required.

The dollar amount shown above is merely an *estimate* of the cash contribution required. Importantly, while the percentages of payroll will not change because they are actuarially determined, the dollar amount of the City's actual required contribution will change -- upward or downward -- depending on whether *actual* payrolls in the fiscal year are more, or less, than currently estimated.

**Section I**  
**Valuation Report**  
(continued)

As can be seen, the contributions as a percentage of payroll have increased from last year for all groups. As a dollar amount, the estimated contribution for fiscal year 2012-2013 was \$36.1 million as shown in the July 1, 2011 valuation, determined based on a payroll estimate at that time of approximately \$150.1 million (obtained by projecting the payroll provided with the July 1, 2011 actuarial valuation to fiscal year 2012-2013 using the valuation's assumed rate of salary increase). The 2013-2014 fiscal year contribution represents an increase of approximately \$7.1 million over that figure to \$43.2 million.

As is true each year, the change in the recommended contribution requirement from last year to this year is the result of actual plan asset performance, as well as changes in liabilities caused by changes in the covered population and benefit provisions (where applicable). See Sections D and E to follow for more detail regarding this year's increase.

**C. Funded Status**

The funded status of the plan as of July 1, 2012 is summarized below. The figures are prepared in accordance with the requirements of the Governmental Accounting Standards Board, or GASB, and are useful in accessing the health of the plan overall.

Specifically, the funded status is based on the smoothed (actuarial) value of assets used in the valuation, as well as a measure of the plan's liability known as the Actuarial Accrued Liability. The Actuarial Accrued Liability is the liability for benefits expected to be paid from the plan for inactive participants, as well as the liability for future expected benefit payments for active participants. For actives, the liability measure includes the impact of assumed future salary increases on projected benefits, but includes only that portion of their overall liability attributable to services rendered as of the valuation date.

	<b>July 1, 2012</b>
Actuarial Accrued Liability	\$1,237,136,000
Actuarial Value of Assets	<u>977,146,000</u>
Unfunded Status	259,990,000
Funded Percentage	79.0%

During the 2011-2012 fiscal year, the plan's funded status dropped from 83.5% as of July 1, 2011 to 79.0% as of July 1, 2012, as detailed above. Despite the fact that the City fully funded the recommended contribution for the year, asset growth did not keep pace with liability growth, resulting in the decline in the funded status. This is primarily the result of the asset losses on the smoothed (actuarial) value of assets discussed in Section D below. Changes in the plan population and the resulting impact on plan liabilities partially offset these assets losses, preventing an otherwise larger decline in funded status.

Even with a funded status of less than 100%, the plan is still in a healthy position with the ability to pay benefits due at the current 79.0% level. It is not the intent of the plan's funding method to fully fund such shortfalls in just one year. Absent other significant changes, such underfunding will be eliminated over a period of years as it is spread into future contribution requirements.

**Section I**  
**Valuation Report**  
(continued)

**D. Plan Experience During Period Under Review**

As discussed earlier, the recommended City contribution for the 2013-2014 fiscal year has increased from last year by approximately \$7.1 million based on estimates of payroll. This increase is the net impact of annual plan asset and liability experience (approximately \$5.9 million of the increase) as well as changes in plan benefits that took effect during the last year (approximately \$1.2 million of the increase).

The primary reason for this \$7.1 million increase is the continued recognition of the decline in the capital markets that occurred within the 2007-2008 and 2008-2009 fiscal years, with the resulting loss of market value of MERF assets during that period. In addition, the market value further experienced a loss in the 2011-2012 fiscal year, impacting fiscal year 2013-2014 costs.

During 2011-2012, the market value of assets decreased from \$981.0 million to \$942.7 million, resulting in an asset return of approximately 1.9% over the period. In order to avoid dramatic fluctuations in contribution requirements with large swings in the market, a “smoothed” or “actuarial” value of assets is used to perform the valuation. This smoothed value recognizes the difference between the expected return on the market value of assets and the actual return over a 5-year period at 20% per year.

As of July 1, 2012, the actuarial value of assets used in the development of the contribution requirement was approximately \$977.1 million, \$34.4 million higher than the market value of assets of \$942.7 million at such date. The return for the year on the actuarial value was 1.6%. Since this 1.6% is less than the MERF’s 8% return assumption, asset losses were generated that increased the fiscal year 2013-2014 contribution requirement. Specifically, these losses represented approximately \$7.2 million of the increase in the contribution and were therefore the primary driver of the increase.

Changes in the plan’s population and the resulting impact on plan liabilities had the net effect of decreasing the recommended City contribution by approximately \$1.3 million. The main reasons for this decrease were salaries increasing by less than expected for all groups, as well as more than expected retiree deaths in the all groups but Library.

This decrease in the contribution caused by changes in the plan population was almost fully offset by the impact of negotiated plan changes first reflected with this valuation. In particular, the newly negotiated Police contract increased the contribution requirements by approximately \$1.2 million for fiscal year 2013-2014. This includes the net impact of the benefit elections made by officers hired after July 1, 1999, as well as future negotiated salary increases.

**Section I**  
**Valuation Report**  
(continued)

**E. Changes Since The Last Valuation**

There were no assumption or method changes effective with the July 1, 2012 valuation.

Specific plan changes reflected in this valuation are as follows for Sworn Police Officers:

- Sworn officers hired on or after July 1, 2012 have new benefit provisions as follows:
  - Employee contribution rate increases from 6.5% to 9.5%
  - Benefit multiplier is 2.8% for first 25 years of service, 2.5% thereafter up to a maximum of 80% of earnings (prior plan was 2.5% for first 20 years of service, 2.0% thereafter up to a maximum of 70% of earnings)
  - Normal Retirement Date is age 55 with 25 years of service (prior plan has no age requirement)
  - Final Average Earnings are based on final rate of pay (prior plan Final Average Earnings based on highest 3 of last 5 years)
  - Overtime earnings are included in Final Average based on highest 3 of last 5 years (prior plan includes overtime averaged over the last 25 years)
- Sworn officers hired after July 1, 1999 have the option to elect into the provisions listed above with the exception that there is no age requirement on Normal Retirement Date and employee contribution rate is 8.0%. Actual elections have been reflected with this valuation.



**Section I**  
**Valuation Report**  
(continued)

**F. Future Contribution Requirements**

The use of a smoothed (actuarial) value of assets is meant to produce a more level funding pattern, given asset volatility. With a drop in the market, asset losses are spread over a five-year period, leveling out the recommended funding rather than providing for a spike in contribution requirements in one year. As of July 1, 2012, there were approximately \$34.4 million in net unrecognized asset losses that eventually need to be recognized in future City contribution requirements because of the use of this smoothing method. Given this level of unrecognized losses, future contribution increases can be expected for the 2014-2015 fiscal year, absent other significant changes.

To provide a sense of the level of expected future contributions, an estimate for the 2014-2015 fiscal year has been calculated. Specifically, the City's estimated recommended contribution for such fiscal year is currently \$49.3 million. This figure is based on a projected market value of assets at July 1, 2013 of \$966.1 million, determined by projecting the market value of assets as of July 1, 2012 to June 30, 2013 assuming an 8% return. Projected plan liabilities inherent in this calculation were based on the results of the July 1, 2012 valuation, including the assumptions, methods, and census data as of such date. The unfunded actuarial accrued liability was amortized over a 15 year period.

The projected asset value and estimated contribution for the 2014-2015 fiscal year assume the City funds the recommended contribution for 2012-2013. If the City contributes an amount other than the annual recommended contribution, the estimated future contribution will vary from the amount shown here.

The final 2014-2015 recommended contribution will be based upon final liabilities and assets as of July 1, 2013. To provide some sensitivity of the contribution to asset values, if the market value of assets as of July 1, 2013 is approximately \$100 million higher at \$1,066.1 million, the contribution estimate decreases by \$2.2 million to \$47.1 million.

Beginning with the 2015-2016 fiscal year contribution, the past asset losses of 2008-2009 will be fully recognized. Therefore, contribution increases are not expected to be as significant. The extent of any increase or decrease in contribution will depend on market returns after July 1, 2012, among other factors.

## Section I

### Valuation Report (continued)

#### G. New Accounting Standards

In June of 2012, The Government Accounting Standards Board (GASB) issued statements 67 and 68. GASB 67 is a new standard that pertains to financial reporting for pension plans. In general, it replaces GASB 25 and it is effective for fiscal years beginning after June 15, 2013. GASB 68 is a new standard that pertains to accounting and financial reporting for pensions by State and Local Government Employers. In general, it replaces GASB 27 and it is effective for fiscal years beginning after June 15, 2014. Both statements replace the relevant provisions of GASB 50.

Currently, the City's annual financial report tracks the Net Pension Obligation (NPO) in the footnote section of the annual financial report. With GASB 68, the NPO will no longer be tracked. A new item called Net Pension Liability (NPL) will be displayed not as a footnote but directly on your balance sheet. For both standards, liabilities are calculated using the Entry Age Normal (EAN) Cost Method. In general, the NPL is the EAN Accrued Liability less the Market Value of Assets. The following table displays the NPL for the MERF for the last two years.

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Market Value Of Assets</u>	<u>Net Pension Liability</u>
July 1, 2011	\$1,218,900,000	\$980,956,000	\$237,944,000
July 1, 2012	\$1,237,136,000	\$942,652,000	\$294,484,000

In addition to replacing the NPO with the NPL, the Annual Required Contribution (ARC) will also be eliminated. Even though the ARC will be eliminated, we will work with the City to develop a contribution policy. The new term for this is the Actuarially Determined Contribution (ADC). One possible ADC is to use the same concepts that were used to develop the ARC which would mean no change in the present funding policy.

Under the prior standards, the ARC served as both the contribution policy and the accounting expense. As noted above the ARC is eliminated and replaced with the ADC with regard to the funding policy. The new pension expense will be quite different from the ARC and it has several components (including normal cost, interest cost, amortization components, actual return, and plan changes). The new pension expense will help reconcile the change in the Net Pension Liability each year. In addition, it will be more volatile than the ARC and so not suitable for use as a contribution policy.

If the City wants to see how the pension expense works, please let us know and we will prepare a sample exhibit. Like the Net Pension Liability, the calculation of the pension expense is based upon the Entry Age Normal Cost Method and will no longer be a footnote but reported directly in the annual financial report.

**Section I**  
**Valuation Report**  
(continued)

**H. Certification**

This report presents the results of the July 1, 2012 Actuarial Valuation for the City of Hartford Municipal Employees' Retirement Fund (MERF) (the Plan) for the purpose of estimating the funded status of the Plan and determining the Annual Required Contribution (ARC) for the fiscal year ending June 30, 2014. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a and meet the requirements of Public Act No.77-468, an Act Requiring Periodic Actuarial Valuation of Municipal Pension Plans.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

We certify that the actuarial assumptions and methods that were selected by us and represent our best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, we have relied on employee data and asset and contribution information provided by the Plan Sponsor. We have audited neither the employee data nor the financial information, although we have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the *Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Description of Actuarial Methods and Assumptions* section of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

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

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Elizabeth J. Churney, F.S.A., M.A.A.A.,  
11-06330

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Ellen A. Kucenski, F.S.A., M.A.A.A.,  
11-07674

March 14, 2013

**Section II**  
**Supporting Exhibits**

**A. Entry Age Normal Actuarial Accrued Liability  
as of July 1, 2012**

	Police	Firefighters	Board Of Education	Municipal Services	Library	Total Membership
A. Covered Payroll						
Annual Payroll (000)	\$38,334	\$29,102	\$40,419	\$25,586	\$4,478	\$137,919
B. Actuarial Accrued Liability (AAL)						
Entry Age Normal AAL (000)						
1. Active Members						
a. Active Members' MERF Liability	\$120,417	\$109,827	\$66,588	\$50,722	\$8,849	\$356,403
b. Local 586 Payment Present Value	0	0	3,262	0	0	
c. Local 1716 Payment Present Value	0	0	0	3,475	0	
d. Total for Active Members	120,417	109,827	69,850	54,197	8,849	363,140
2. Terminated Non-Vested Members [allocated by (1d)]	187	171	103	79	14	554
3. Terminated Vested Members	1,088	1,423	5,792	6,459	72	14,834
4. Retired Members	274,387	203,403	96,330	268,907	14,857	857,884
5. Old Plans Cola 1987/1990/1997/1999/2001/2005/2007	427	208	25	63	0	723
6. Total	396,505	315,032	172,101	329,705	23,793	1,237,136
C. Valuation Assets (Adjusted Value)						
1. Amount prior to Recognizing Receivable (000)	\$301,869	\$267,304	\$149,997	\$241,471	\$16,504	\$977,146
2. Contribution Receivable (000)	0	0	0	0	0	0
3. Valuation Assets after Recognition of Receivable (000)	301,869	267,304	149,997	241,471	16,504	977,146
D. Unfunded Actuarial Accrued Liability (000)	\$94,636	\$47,728	\$22,104	\$88,234	\$7,289	\$259,990
E. Funded Percent (C. / B.)	76.1%	84.8%	87.2%	73.2%	69.4%	79.0%

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## Section II

### Supporting Exhibits (continued)

#### B. Cash Contributions

#### July 1, 2013 – June 30, 2014 Fiscal Year Contribution

	Police	Firefighters	Board Of Education	Municipal Services	Library	Total Membership
1. Development of Amortization						
a. Unfunded Actuarial Accrued Liability	\$94,635,928	\$47,727,766	\$22,103,809	\$88,234,075	\$7,288,465	\$259,990,043
b. Amortization of Unfunded AAL (15 year open)	10,237,289	5,162,975	2,391,091	9,544,786	788,433	28,124,554
2. Normal Cost Development						
a. Normal Cost Beginning of Year prior to Expense Load	\$4,913,694	\$2,525,759	\$1,173,647	\$2,068,256	\$286,130	\$10,967,486
b. Normal Cost Projected One Year prior to Expense Load	5,306,790	2,727,820	1,267,539	2,233,716	309,020	11,844,885
c. Expense Load (Allocated by AAL)	815,093	647,609	353,787	677,771	48,911	2,543,171
3. Fiscal Year Contribution for 07/01/2013 - 06/30/2014						
I. Gross City Contribution						
a. Total Contribution Due as of Beginning of Year (1b+2b+2c)	16,359,172	8,538,404	4,012,417	12,456,253	1,146,364	42,512,610
b. Total Interest Adjusted Gross City Contribution	17,000,950	8,873,369	4,169,826	12,944,918	1,191,337	44,180,400
II. Annual Adjusted Payroll as of 07/01/2012 w 2 year proj	42,482,849	31,613,907	44,234,331	28,206,202	4,926,751	151,464,040
III. Contribution as a % of Payroll prior to adjustments	40.02%	28.07%	9.43%	45.89%	24.18%	29.17%
IV. 07/01/2013 Payment for Local 566 (000)	0	0	303,918	0	0	303,918
V. 07/01/2013 Payment for Local 1716 (000)	0	0	0	509,126	0	509,126
VI. Old Plans COLA Annual Payment (000)	94,255	54,905	2,859	16,968	0	168,987
VII. Net City Contribution [(I.) - (IV.) - (V.) - (VI.)]	16,906,695	8,818,464	3,863,049	12,418,824	1,191,337	43,198,369

	2013 - 2014 Contribution Sensitivity*					
	Police	Firefighters	Board of Education	Municipal Services	Library	Total
Estimated 2013-2014 Fiscal Year Payroll +5%	\$44,606,991	\$33,194,602	\$46,446,048	\$29,616,512	\$5,173,089	\$159,037,242
Net City Contribution Estimate for 2013-2014	17,757,463	9,262,820	4,073,085	13,064,923	1,250,853	45,409,144
Estimated 2013-2014 Fiscal Year Payroll -5%	40,358,707	30,033,212	42,022,614	26,795,892	4,680,413	143,890,838
Net City Contribution Estimate for 2013-2014	16,057,300	8,375,418	3,655,956	11,770,541	1,131,724	40,990,939

\* Based on contribution policy of depositing a % of payroll using actual fiscal year payroll.

## Section II

### Supporting Exhibits (continued)

#### C. Actuarial Balance Sheet

	July 1, 2012	July 1, 2011
<b>Actuarial Liabilities</b>		
Present Value of Future Benefits for:		
Active Employees	\$536,794,819	\$505,461,387
Inactive Members		
• Regular Retirees	769,949,362	773,799,245
• Disability Retirees	61,312,447	60,461,976
• Survivors	26,622,704	28,294,596
• Terminated Non-Vesteds	553,450	553,450
• Terminated Vesteds	14,834,388	11,125,238
• Old Plans COLA	<u>723,482</u>	<u>980,207</u>
 TOTAL	 \$1,410,790,652	 \$1,380,676,099
 <b>Source of Funds</b>		
1. Actuarial Value of Assets	\$977,145,866	\$1,017,601,546
2. Present Value of Future Employee Contributions	91,249,308	75,119,853
3. Present Value of Future City Normal Cost Contributions	82,405,435	86,656,102
4. Unfunded Accrued Liability	<u>259,990,043</u>	<u>201,298,598</u>
5. TOTAL = (1) + (2) + (3) + (4)	\$1,410,790,652	\$1,380,676,099

**Section II**  
**Supporting Exhibits**  
(continued)

**D. Development of Asset Values**

The Actuarial Value of assets is used in the determination of plan contributions. It phases in recognition of asset gains and losses. A method of smoothing is used because the Market Value can swing widely from one year to the next, resulting in undesirable fluctuations in pension contributions. The smoothing is accomplished by recognizing asset gains and losses over a five-year period at 20% per year.

Relationship of Actuarial Value to Market Value		
1. Market value 7/1/2012	\$	942,652,465
2. Gain / (loss) not recognized in actuarial value 7/1/2012		(34,493,401)
3. Preliminary actuarial value 7/1/2012: (1)-(2)		977,145,866
4. Preliminary actuarial value as a percentage of market value: (3)÷(1)		103.7%
5. Gain / (loss) recognized for corridor min/max		N/A
6. Actuarial value 7/1/2012 after corridor min/max: (3)+(5)		977,145,866
7. Actuarial value as a percentage of market value: (6)÷(1)		103.7%

Development of Asset Gain / (Loss) for 2011-2012 Plan Year		
1. Market value 7/1/2011	\$	980,955,795
2. Contributions		36,979,102
3. Benefit payments		90,971,356
4. Administrative expenses		2,390,829
5. Expected return at 8.00%		76,270,705
6. Expected value 7/1/2012: (1)+(2)-(3)-(4)+(5)		1,000,843,417
7. Market value 7/1/2012		942,652,465
8. Asset gain / (loss) for -1 Plan Year: (7)-(6)		(58,190,952)

Recognition of Gain / (Loss) in Actuarial Value					
Year	(a) Gain / (loss)	(b) Recognized as of 7/1/2011	(c) Recognized in current year: 20% of (a)	(d) Total recognized as of 7/1/2012: (b)+(c)	(e) Not recognized as of 7/1/2012: (a)-(d)
2007-2008	\$ (111,496,189)	\$ (89,196,952)	\$ (22,299,237)	\$ (111,496,189)	\$ 0
2008-2009	(241,203,873)	(144,722,325)	(48,240,775)	(192,963,100)	(48,240,773)
2009-2010	26,022,852	10,409,140	5,204,570	15,613,710	10,409,142
2010-2011	83,151,652	16,630,330	16,630,330	33,260,660	49,890,992
2011-2012	(58,190,952)	0	(11,638,190)	(11,638,190)	(46,552,762)
Total			(60,343,302)		(34,493,401)

## Section II

### Supporting Exhibits (continued)

#### D. Development of Asset Values

Summary of Fund Activity		
	Market Value	Actuarial Value
<b>1. Beginning value 7/1/2011</b>		
a. Trust assets	\$ 980,955,795	\$ 1,017,601,546
b. Accrued contribution	0	0
c. Benefits payable	0	0
d. Administrative expenses payable	0	0
e. Net: (a)+(b)-(c)-(d)	980,955,795	1,017,601,546
<b>2. Contributions</b>		
a. Contributions during year	36,979,102	36,979,102
b. Change in accrued contribution	0	0
c. Total for plan year	36,979,102	36,979,102
<b>3. Disbursements</b>		
a. Benefit payments during year	90,971,356	90,971,356
b. Administrative expenses during year	2,390,829	2,390,829
c. Change in benefits payable	0	0
d. Change in administrative expenses payable	0	0
e. Total for plan year	93,362,185	93,362,185
<b>4. Net investment return</b>		
a. Interest and dividends	16,089,939	N/A
b. Change in accrued income	0	N/A
c. Realized gain (loss)	59,752,802	N/A
d. Unrealized gain (loss)	(53,691,212)	N/A
e. Expected return	N/A	76,270,705
f. Recognized gain (loss)	N/A	(60,343,302)
g. Required adjustment due to corridor	N/A	0
h. Reversal of prior year required adjustment	N/A	0
i. Investment-related expenses	(4,071,776)	N/A
j. Total	18,079,753	15,927,403
<b>5. Ending value 7/1/2012</b>		
a. Trust assets: (1a)+(2a)-(3a)-(3b)+(4j)	942,652,465	977,145,866
b. Accrued contribution	0	0
c. Benefits payable	0	0
d. Administrative expenses payable	0	0
e. Net: (a)+(b)-(c)-(d)	942,652,465	977,145,866
<b>6. Approximate rate of return 2011-2012</b>	1.9%	1.6%



## Section II

### Supporting Exhibits (continued)

#### D. Development of Asset Values

Rate of Return on Market Value of Assets				
Period Ending June 30	Average Annual Effective Rate of Return			
	1 Year	3 Years	5 Years	10 Years
2003	4.6%	-0.3%	3.6%	8.7%
2004	14.6%	5.1%	4.3%	9.9%
2005	9.1%	9.4%	4.4%	9.3%
2006	8.7%	10.8%	6.6%	8.7%
2007	15.6%	11.1%	10.4%	8.3%
2008	-1.9%	7.2%	9.0%	6.3%
2009	-15.0%	-1.2%	2.7%	3.5%
2010	11.1%	-2.5%	3.1%	3.7%
2011	17.7%	3.6%	4.7%	5.7%
2012	1.9%	10.0%	2.1%	6.2%

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**Section II**  
**Supporting Exhibits**  
(continued)

**E. Accounting Information**

**GASB Statements No. 25 and 27**

The following information is based on the Governmental Accounting Standards Board (GASB) Statement No. 25 on "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and Statement No. 27 on "Accounting for Pensions by State and Local Governmental Employers". It represents a summary of information detailed further within the MERF's annual GASB report. The exhibits are provided for information purposes only here.

In reviewing the following exhibit regarding employer contributions, it is important to note that for the fiscal years ending 2007 through 2010, the City contributed more than the recommended Annual Required Contribution (ARC). This is due to a catch up period in which the City has been making contributions for prior fiscal years in which there was a shortfall in the amount contributed. The footnotes below provide further detail.

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Actual Contribution Received by MERF</b>	<b>Miscellaneous *</b>
2007	14,328,866	115%	16,317,266**	163,749
2008	13,252,745	125%	16,454,745	129,258
2009	11,797,419	109%	12,713,915***	115,067
2010	9,601,580	113%	10,727,385	112,662
2011	18,846,217	100%	18,730,668	115,549
2012	27,599,529	100%	26,681,068	918,461

\* Funds transferred from State of Connecticut's Connecticut Municipal Employees' Retirement System (CMERS) and Aetna annuity payments.

\*\* 2006-2007 fiscal year contribution includes contributions paid for prior fiscal years during the 2006-2007 fiscal year as follows: FY 00-01 \$117,500, FY 02-03 \$2,198, FY 03-04 \$180,876, FY 04-05 \$130,156, FY 05-06 \$5,084,715. After the June 30, 2006 GASB reporting period closed, two contributions of \$1,572,500 and \$1,490,242 were made to the Plan for the 2006-2007 fiscal year. These amounts are not included in the \$16,317,266 fiscal year 2006-2007 contribution listed above. They will be included in the 2007-2008 fiscal year contributions listed in the June 30, 2008 GASB report.

\*\*\* Contribution includes \$1,031,484 in contributions paid for the prior fiscal year (2007/2008) after the 06/30/2008 reporting period closed.

## Section II

### Supporting Exhibits (continued)

#### E. Accounting Information

As detailed below, the plan's funded status dropped from 83.5% as of July 1, 2011 to 79.0% as of July 1, 2012. Despite the fact that the City fully funded the recommended contribution for the year, asset growth did not keep pace with liability growth, resulting in the decline in the funded status. This is primarily the result of the asset losses on the Actuarial Value of Assets during the year previously discussed.

Even with a funded status of less than 100%, the plan is still in a healthy position at the current 79.0% level with the ability to pay benefits due.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Accrued Liability (AAL) ** (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)÷c)
7/1/2007	1,092,128,000***	1,090,715,000	(1,413,000)	100.1%	133,280,000	-1.1%
7/1/2008	1,123,379,000	1,099,441,000	(23,938,000)	102.2%	139,243,000	-17.2%
7/1/2009	1,089,184,000	1,126,965,000	37,781,000	96.6%	134,143,000	28.2%
7/1/2010	1,041,572,000	1,175,040,000	133,468,000	88.6%	132,529,000	100.7%
7/1/2011	1,017,602,000	1,218,900,000	201,298,000	83.5%	136,555,000	147.4%
7/1/2012	977,146,000	1,237,136,000	259,990,000	79.0%	137,919,000	188.5%

\* Excludes receivable from GMERS (applicable for 7/1/2005 only; no longer applicable 7/1/2006+).

\*\* Liability shown determined using the projected unit credit cost method 7/1/2005-7/1/2006 and the entry age normal cost method starting 7/1/2007.

\*\*\* Excludes estimated City contribution receivable of \$5,463,745 as of July 1, 2007 which was fully paid by the City as of July 1, 2008.

**Section II**  
**Supporting Exhibits**  
(continued)

**F. Membership Data**

**Summary – Active Members as of July 1, 2012**

	Number	Payroll*	Average Annual Pay*
Police	495	\$38,333,847	\$77,442
Firefighters	345	29,102,161	84,354
Board of Education	883	40,418,741	45,774
Municipal Services	434	25,586,351	58,955
Library	71	4,478,204	63,073
<b>Total</b>	<b>2,228</b>	<b>\$137,919,304</b>	<b>\$61,903</b>

\*Basic salary, plus overtime, plus Fire private duty pay.

**Summary – Pensioners as of July 1, 2012**

	Service Pensions*		Disability Pensions		Survivor Benefits*		Total	
	Count	Total Monthly Annuities	Count	Total Monthly Annuities	Count	Total Monthly Annuities	Count	Total Monthly Annuities
Police	512	\$1,963,039	71	\$202,090	77	\$86,562	660	\$2,251,691
Firefighters	342	1,353,175	129	393,898	106	117,661	577	1,864,734
Board of Ed.	623	890,546	26	17,188	42	18,018	691	925,752
Municipal Svcs.	814	2,273,961	11	12,461	76	57,466	901	2,343,888
Library	70	138,433	1	1,867	2	1,115	73	141,415
Vested Deferred	140	173,115	--	--	--	--	140	173,115
<b>TOTAL**</b>	<b>2,501</b>	<b>\$6,792,269</b>	<b>238</b>	<b>\$627,504</b>	<b>303</b>	<b>\$280,822</b>	<b>3,042</b>	<b>\$7,700,595</b>

\* 25 pensioners receiving benefits as retirees and as survivors are included in both groups.

\*\* Additional monthly benefits for the July 1, 1987, July 1, 1990, July 1, 1997, July 1, 1999, July 1, 2001, July 1, 2005, and July 1, 2007 COLA's for the unfunded plans (PBF, FRF, and RAF) are also included in the total liabilities for MERF. Such participants are not included in the counts shown here.

## Section II

### Supporting Exhibits (continued)

#### F. Membership Data

##### Data Reconciliation – Police

Participant Data				
	Active	Terminated Vested	Pensioners*	Total
<b>Total Participants 7/1/2011</b>	480	1	661	1,142
Adjustments	0	0	0	0
Retirements	-1	0	+1	0
Disabilities	0	0	0	0
Terminations				
Vested	-1	+1	N/A	0
Non-vested	-4	N/A	N/A	-4
Deaths	-5	0	-13	-18
New beneficiaries	N/A	0	+11	+11
Transfer group	+2	0	0	+2
Rehires	0	0	0	0
New entrants	<u>+24</u>	<u>N/A</u>	<u>N/A</u>	<u>+24</u>
<b>Total Participants 7/1/2012</b>	495	2	660	1,157
<b>Average Age</b>				
7/1/2011	38.1			
7/1/2012	38.7			
<b>Average Service</b>				
7/1/2011	9.6			
7/1/2012	10.0			
<b>Payroll**</b>				
7/1/2011	\$36,839,151			
7/1/2012	38,333,847			
<b>Total monthly benefits*</b>				
7/1/2011		\$1,847	\$2,262,079	
7/1/2012		7,756	2,251,691	

\* Excludes old plan COLA participants.

\*\* Basic salary plus overtime and private duty pay.

## Section II

### Supporting Exhibits (continued)

#### F. Membership Data

##### Data Reconciliation – Firefighters

Participant Data				
	Active	Terminated Vested	Pensioners*	Total
<b>Total Participants 7/1/2011</b>	<b>365</b>	<b>1</b>	<b>573</b>	<b>939</b>
Adjustments	0	0	0	0
Retirements	-17	0	+17	0
Disabilities	-1	0	+1	0
Terminations				
Vested	-1	+1	N/A	0
Non-vested	0	N/A	N/A	0
Deaths	-1	0	-18	-19
New beneficiaries	N/A	0	+4	+4
Transfer group	0	0	0	0
Rehires	0	0	0	0
New entrants	0	N/A	N/A	0
<b>Total Participants 7/1/2012</b>	<b>345</b>	<b>2</b>	<b>577</b>	<b>924</b>
<b>Average Age</b>				
7/1/2011	40.9			
7/1/2012	41.2			
<b>Average Service</b>				
7/1/2011	13.6			
7/1/2012	13.9			
<b>Payroll**</b>				
7/1/2011	\$29,885,531			
7/1/2012	29,102,161			
<b>Total monthly benefits*</b>				
7/1/2011		\$841	\$1,799,226	
7/1/2012		10,537	1,864,734	

\* Excludes old plan COLA participants.

\*\* Basic salary plus overtime and private duty pay.

## Section II

### Supporting Exhibits (continued)

#### F. Membership Data

##### Data Reconciliation – Board of Education

Participant Data				
	Active	Terminated Vested	Pensioners*	Total
<b>Total Participants 7/1/2011</b>	<b>905</b>	<b>67</b>	<b>701</b>	<b>1,673</b>
Adjustments	+2	-5	-1	-4
Retirements	-17	-1	+18	0
Disabilities	-1	0	+1	0
Terminations				
Vested	-14	+14	N/A	0
Non-vested	-47	N/A	N/A	-47
Deaths	-1	0	-36	-37
New beneficiaries	N/A	0	+8	+8
Transfer group	+1	0	0	+1
Rehires	0	0	0	0
New entrants	<u>+55</u>	<u>N/A</u>	<u>N/A</u>	<u>+55</u>
<b>Total Participants 7/1/2012</b>	<b>883</b>	<b>75</b>	<b>691</b>	<b>1,649</b>
<b>Average Age</b>				
7/1/2011	47.0			
7/1/2012	47.5			
<b>Average Service</b>				
7/1/2011	10.1			
7/1/2012	12.2			
<b>Payroll**</b>				
7/1/2011	\$41,017,098			
7/1/2012	40,418,741			
<b>Total monthly benefits*</b>				
7/1/2011		\$70,872	\$917,783	
7/1/2012		76,490	925,752	

\* Excludes old plan COLA participants.

\*\* Basic salary plus overtime and private duty pay.

## Section II

### Supporting Exhibits (continued)

#### F. Membership Data

##### Data Reconciliation – Municipal Services

Participant Data				
	Active	Terminated Vested	Pensioners*	Total
<b>Total Participants 7/1/2011</b>	<b>435</b>	<b>54</b>	<b>910</b>	<b>1,399</b>
Adjustments	-1	+1	-1	-1
Retirements	-12	-4	+16	0
Disabilities	-1	0	+1	0
Terminations				
Vested	-8	+8	N/A	0
Non-vested	-22	N/A	N/A	-22
Deaths	-2	0	-35	-37
New beneficiaries	N/A	0	+12	+12
Transfer group	-3	0	0	-3
Rehires	+2	0	-2	0
New entrants	<u>+46</u>	<u>N/A</u>	<u>N/A</u>	<u>+46</u>
<b>Total Participants 7/1/2012</b>	<b>434</b>	<b>59</b>	<b>901</b>	<b>1,394</b>
<b>Average Age</b>				
7/1/2011	47.9			
7/1/2012	48.3			
<b>Average Service</b>				
7/1/2011	10.3			
7/1/2012	10.0			
<b>Payroll**</b>				
7/1/2011	\$24,749,251			
7/1/2012	25,586,351			
<b>Total monthly benefits*</b>				
7/1/2011		\$66,608	\$2,333,126	
7/1/2012		77,263	2,343,888	

\* Excludes old plan COLA participants.

\*\* Basic salary plus overtime and private duty pay.



**Section II**

**Supporting Exhibits**  
(continued)

**F. Membership Data**

**Data Reconciliation – Library**

<b>Participant Data</b>				
	<b>Active</b>	<b>Terminated Vested</b>	<b>Pensioners*</b>	<b>Total</b>
<b>Total Participants 7/1/2011</b>	<b>66</b>	<b>3</b>	<b>75</b>	<b>144</b>
Adjustments	0	0	0	0
Retirements	0	-1	+1	0
Disabilities	0	0	0	0
Terminations				
Vested	0	0	N/A	0
Non-vested	0	N/A	N/A	0
Deaths	-2	0	-4	-6
New beneficiaries	N/A	0	+1	+1
Transfer group	0	0	0	0
Rehires	0	0	0	0
New entrants	<u>+7</u>	<u>N/A</u>	<u>N/A</u>	<u>+7</u>
<b>Total Participants 7/1/2012</b>	<b>71</b>	<b>2</b>	<b>73</b>	<b>146</b>
<b>Average Age</b>				
7/1/2011	47.1			
7/1/2012	47.3			
<b>Average Service</b>				
7/1/2011	12.0			
7/1/2012	13.1			
<b>Payroll**</b>				
7/1/2011	\$4,064,438			
7/1/2012	4,478,204			
<b>Total monthly benefits*</b>				
7/1/2011		\$2,235	\$142,710	
7/1/2012		1,069	141,415	

\*Excludes old Plan COLA participants.

\*\*Basic salary plus overtime and private duty pay.

## Section II

### Supporting Exhibits (continued)

#### F. Membership Data

##### Data Reconciliation – Total

Participant Data				
	Active	Terminated Vested	Pensioners*	Total
<b>Total Participants 7/1/2011</b>	<b>2,251</b>	<b>126</b>	<b>2,920</b>	<b>5,297</b>
Adjustments	+1	-4	-2	-5
Retirements	-47	-6	+53	0
Disabilities	-3	0	+3	0
Terminations				
Vested	-24	+24	N/A	0
Non-vested	-73	N/A	N/A	-73
Deaths	-11	0	-106	-117
New beneficiaries	N/A	0	+36	+36
Transfer group	0	0	0	0
Rehires	+2	0	-2	0
New entrants	<u>+132</u>	<u>N/A</u>	<u>N/A</u>	<u>+132</u>
<b>Total Participants 7/1/2012</b>	<b>2,228</b>	<b>140</b>	<b>2,902</b>	<b>5,270</b>
<b>Payroll**</b>				
7/1/2011	\$136,555,469			
7/1/2012	137,919,304			
<b>Total monthly benefits</b>				
7/1/2011		\$142,403	\$7,454,925	
7/1/2012		173,115	7,527,480	

\*Excludes old Plan COLA participants.

\*\*Basic salary plus overtime and private duty pay.

City of Hartford MERF - Police

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	5	48,366	3	49,900	2	67,777															10	52,708
25 to 29	7	48,020	55	64,516	21	82,377															83	67,538
30 to 34	5	47,083	24	58,982	48	88,092	15	88,058	1	82,570											93	78,197
35 to 39	3	46,026	18	57,734	38	85,138	20	90,120	9	98,718											88	80,829
40 to 44	1	45,823	6	61,394	28	82,700	21	88,859	59	101,534	10	100,153									125	92,597
45 to 49	1	45,665	8	59,272	13	75,540	8	84,979	26	94,782	11	102,124									67	86,139
50 to 54	1	45,620	2	62,958	6	81,041	2	73,009	4	102,841	6	86,230	2	84,520							23	82,677
55 to 59									4	93,133											4	93,133
60 to 64															1	69,179					1	69,179
65 to 69																						
70 & over													1	85,166							1	85,166
All ages	23	47,329	116	61,389	156	84,047	66	88,065	103	99,094	27	97,862	3	84,735	1	69,179					495	

City of Hartford MERF - Fire

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25			16	62,696																	16	62,696
25 to 29			32	69,007																	32	69,007
30 to 34			26	66,450	9	83,503	4	79,787	1	77,948											40	71,908
35 to 39			16	67,043	7	81,371	23	79,373	14	86,762	2	70,702									62	77,806
40 to 44			4	66,289	7	81,910	11	84,887	29	85,864	6	89,735	1	79,960	1	83,291					59	84,135
45 to 49			2	69,161	4	84,064	11	78,410	26	88,765	13	90,036	15	89,916	2	96,871					73	87,095
50 to 54			1	69,161	1	84,430	4	77,593	13	85,038	8	94,585	12	90,553	9	99,046					48	89,671
55 to 59							1	76,804	4	80,793	1	79,960	3	87,981	2	91,538			1	98,910	12	85,489
60 to 64											1	79,986			1	76,804			1	111,130	3	89,307
65 to 69																						
70 & over																						
All ages			97	66,871	28	82,685	54	80,152	87	86,428	31	89,255	31	89,654	15	95,222			2	105,020	345	

City of Hartford MERF - Board of Education

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	4	39,309	1	66,675																	5	44,782
25 to 29	9	47,374	19	44,934	16	41,015															44	44,008
30 to 34	6	55,742	33	51,661	30	43,091	9	35,024													78	46,821
35 to 39	8	44,137	31	49,898	35	52,912	22	40,899	9	49,264	1	40,357									106	48,447
40 to 44	10	51,509	27	57,148	36	45,426	28	54,115	21	47,132	8	45,272			1	62,881					131	50,522
45 to 49	5	39,983	23	51,458	37	49,120	42	51,219	21	51,816	13	47,761	3	54,374							144	50,169
50 to 54	4	58,790	14	55,290	37	46,644	27	41,809	28	43,293	8	44,005	6	55,001	3	47,999			1	70,403	128	46,661
55 to 59	4	40,866	12	37,777	30	44,892	24	47,139	17	48,409	15	42,311	10	51,677	7	55,786	2	39,929			121	45,782
60 to 64	3	76,796	9	59,022	16	39,312	19	51,050	16	47,523	10	49,195	6	56,561	2	44,590			1	42,083	82	49,798
65 to 69			3	83,692	13	46,590	9	56,647	5	47,455	3	39,319	2	47,968	1	39,096			2	38,302	38	50,880
70 & over					1	28,536	3	32,530					1	36,303			1	35,525			6	32,992
All ages	53	49,343	172	51,791	251	46,184	183	47,664	117	47,471	58	45,173	28	52,911	14	51,833	3	38,461	4	47,272	883	

City of Hartford MERF - Municipal Services

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																						
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years		
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	
Under 25	5	33,920	5	40,482	1	46,030															11	38,004	
25 to 29	6	57,348	14	50,932	4	53,634	1	11,320														25	51,320
30 to 34	4	71,053	15	64,814	7	54,994	4	64,974			1	45,363										31	62,795
35 to 39	8	57,296	10	66,557	15	63,315	7	76,278	2	81,321	2	80,757										44	66,631
40 to 44	3	59,741	12	76,574	14	71,999	5	75,384	2	70,087	4	86,138	1	68,421			1	53,337				42	73,559
45 to 49	7	73,178	16	85,381	14	59,023	11	49,547	9	48,253	5	35,489	2	55,033	1	59,505	3	62,287	3	61,233		71	61,993
50 to 54	5	83,887	10	70,162	24	74,590	15	58,938	6	42,934	10	42,774	6	82,126	3	41,835	1	59,330				80	64,350
55 to 59	4	75,850	12	83,963	18	63,808	12	52,983	8	60,719	5	41,784	7	68,231	1	59,067	1	62,748	1	47,338		69	64,301
60 to 64	3	112,370	7	82,653	6	57,588	8	54,198	6	43,681			1	68,992	2	57,275	1	10,703	1	59,067		35	63,148
65 to 69	2	28,239	1	83,442	5	72,489	4	27,481	1	10,752	2	46,281										15	47,707
70 & over					3	10,735	2	10,752	5	10,752			1	60,814								11	15,298
All ages	47	65,195	102	70,681	111	63,944	69	55,246	39	46,334	29	50,279	18	71,037	7	51,232	7	53,283	5	58,021		434	

City of Hartford MERF - Library

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	1	53,343																			1	53,343
25 to 29					2	53,771	1	50,875													3	52,806
30 to 34	1	59,846	1	62,057	2	52,054	1	50,092	1	54,621											6	55,121
35 to 39	1	97,641	1	46,071	3	53,812					1	49,402									6	59,092
40 to 44					5	58,277	1	49,247	2	53,508	2	60,880	1	58,484							11	57,181
45 to 49	1	109,691	1	116,110	2	68,767	2	73,094	2	75,575	1	49,144	2	49,144							11	73,464
50 to 54	2	119,194	4	62,658	4	63,305	2	77,718			3	65,688	1	68,801	1	48,855					17	71,318
55 to 59					4	60,537	1	110,341			1	50,476	1	60,952							7	66,274
60 to 64			2	121,098	1	80,841	2	49,656					1	52,634	1	115,850	1	48,783			8	79,952
65 to 69													1	48,783							1	48,783
70 & over																						
All ages	6	93,152	9	79,674	23	59,854	10	66,149	5	62,557	9	57,831	7	64,451	2	48,819					71	

City of Hartford MERF - All Groups

Number of Persons/Average Salary of Persons in Processing Group by Age and Years of Service

July 1, 2012

Attained Age	Completed Years of Credited Service																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	15	41,467	25	56,877	3	60,528															43	51,756
25 to 29	22	50,300	120	61,037	43	62,521	2	31,098													187	59,773
30 to 34	16	57,121	99	59,344	96	69,865	33	68,643	3	71,713	1	45,363									248	64,539
35 to 39	20	52,359	76	57,502	98	68,895	72	70,022	34	79,681	6	65,446									306	66,390
40 to 44	14	52,867	50	63,171	90	64,227	66	71,574	113	85,572	30	78,948	3	68,955	2	73,086	1	53,337			369	72,658
45 to 49	14	61,966	50	65,565	70	58,188	79	59,146	84	76,518	43	73,054	22	78,192	3	84,416	3	62,287	3	61,233	362	66,916
50 to 54	12	78,217	40	61,980	72	59,888	50	52,495	51	58,562	35	64,311	27	79,527	16	75,611	1	59,330	1	70,403	298	62,571
55 to 59	8	58,358	24	60,870	52	52,643	38	51,429	33	60,740	22	44,274	21	62,823	10	63,265	3	47,535	1	73,124	212	55,581
60 to 64	6	94,583	14	75,109	30	45,885	29	51,823	22	46,475	12	52,048	8	65,526	7	56,928	1	10,703	6	70,760	131	56,360
65 to 69	2	28,239	4	83,630	18	53,784	13	47,673	6	41,337	5	42,104	3	48,240	1	39,096			2	38,302	54	49,960
70 & over					4	15,186	5	23,819	5	10,752			3	60,761			1	35,525			18	25,078
All ages	129	56,797	502	61,367	576	62,016	387	60,913	351	72,056	154	64,986	87	71,779	39	68,703	10	48,836	12	62,657	2,228	



**Section II**  
**Supporting Exhibits**  
(continued)

**G. IRC Section 415(m) Valuation**

The IRC Section 415(m) Fund\* is an unfunded "excess benefit plan" to provide that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

	<u>July 1, 2012</u>	<u>July 1, 2011</u>
1. Number of retirees and beneficiaries receiving benefits	11	11
2. Annual benefits payable	\$111,000	\$130,000
3. Present value of benefits	\$431,000	\$521,000

The "actives" are funded through MERF. The City provides contributions for the retirees' benefits payable each year, as determined by the Pension Commission.

**Actuarial Assumptions**

The actuarial assumptions used in the 2012 Section 415(m) Fund valuation are as follows:

Mortality Basis:	RP-2000 Healthy Annuitants Table projected by Scale AA to valuation date with no adjustment and separate male and female rates.
Mortality Improvement:	Projected to date of decrement using Scale AA (generational mortality).
Termination:	N/A.
Salary Scale:	N/A.
Investment Return:	8.00% per year, net of investment expenses.
Assumed Retirement age:	Immediate as all are retired.
Increases in dollar limit on benefits under IRC Section 415:	3% per year.

**Benefits**

Retiree pension amounts in excess of IRC Section 415 limits. Benefits which do not exceed such amounts are payable from the City's MERF Plan. IRC Section 415 limits are assumed to increase annually and thus decrease the benefits payable from this Plan and increase the portion of the benefits payable from the City's MERF Plan.

*\*Section 415(m) Fund adopted by the Court of Common Council on March 24, 1997.*

## Section III

### Actuarial Cost Methods and Assumptions

#### A. Actuarial Cost Methods

##### Asset Valuation Method – Actuarial Value of Assets

In order to smooth the year-to-year fluctuations in asset values, the asset values are adjusted by phasing in recognition of gains and losses over a five-year period. (Phase-in started July 1, 2003). Gains and losses are defined as the difference between the actual and the expected return on assets.

The July 1, 2009 valuation reflected a change in the asset valuation method from the use of a four-year smoothing period for gains and losses to the use of a five-year period. In the year of implementation of the change, the five-year smoothing methodology was retroactively applied to the gains and losses for previous years.

The assets held by the insurance companies include the funds on deposit for future purchase of annuities, as well as the reserves and contingency reserves for annuities already purchased which are subject to experience rating.

##### Actuarial Funding Method

The “Entry Age Normal Actuarial Cost Method” is used to determine plan liabilities. The Unfunded Actuarial Accrued Liability is amortized over 15 years using a level dollar, open period.

Since the MERF fund includes several classifications of members who have different provisions for benefits and contributions, it was necessary to apply this method by separate actuarial valuations for Police, Firefighters, Board of Education, Municipal Services, and Library participants.

This method was first used with the July 1, 2011 valuation. Previously the Aggregate Funding Method was used.

## Section III

### Actuarial Cost Methods and Assumptions (continued)

#### B. Actuarial Assumptions

The actuarial assumptions used in the 2012 MERF valuation are as follows:

##### Mortality Basis:

For Police, Fire, Board of Education Corridor Supervisors and Building and Grounds Supervisors:

- Pre-retirement: RP2000 Employees Table – male and female rates, projected by Scale AA to valuation date with occupational (i.e., non-office worker, blue collar) adjustment.
- Post-retirement: RP2000 Healthy Annuitants Table – male and female rates, projected by Scale AA to valuation date with occupational (i.e., non-office worker, blue collar) adjustment. No adjustment reflected for assumed future beneficiaries.
- Disability: RP2000 Disabled Table – male and female rates.

For All Other Groups:

- Pre-retirement: RP2000 Employees Table – male and female rates, projected by Scale AA to valuation date with no adjustment.
- Post-retirement: RP2000 Healthy Annuitants Table – male and female rates, projected by Scale AA to valuation date with no adjustment.
- Disability: RP2000 Disabled Table – male and female rates.

##### Mortality Improvement:

Pre and Post-retirement: Projected to date of decrement using Scale AA (generational mortality)

Disability: None

### Section III

#### Actuarial Cost Methods and Assumptions (continued)

Termination:

##### Yearly Rates of Employee Termination – Police and Fire

<u>Age</u>	<u>Police</u>	<u>Fire</u>
20-24	4.0%	1.0%
25-29	3.0%	1.0%
30-34	2.5%	1.0%
35-39	2.0%	1.0%
40-44	1.0%	0.5%
45+	0.0%	0.0%

##### Yearly Rates of Employee Termination – Bd of Ed

<u>Age</u>	<u>Years of Service</u>					
	<1	1	2	3	4	5+
20-29	30.0%	30.0%	28.0%	25.0%	20.0%	15.0%
30-39	25.0%	25.0%	20.0%	18.0%	15.0%	9.0%
40-49	20.0%	17.0%	15.0%	12.0%	10.0%	8.0%
50-54	17.0%	15.0%	12.0%	10.0%	8.0%	6.0%
55+	9.0%	8.0%	8.0%	7.0%	6.0%	5.0%

##### Yearly Rates of Employee Termination – Munic. Svc. & Lib.

<u>Age</u>	<u>Years of Service</u>					
	<1	1	2	3	4	5+
20-29	27.0%	25.0%	22.0%	19.0%	17.0%	15.0%
30-39	20.0%	17.0%	15.0%	12.0%	10.0%	6.0%
40-49	15.0%	10.0%	9.0%	7.0%	6.0%	5.0%
50+	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%

### Section III

#### Actuarial Cost Methods and Assumptions

(continued)

Investment Return: 8.00% per year, net of investment expenses.

Salary Scale: 3% for inflationary salary increases plus a percentage for promotion or merit increases as follows.

#### Yearly Rates of Increases for Promotion or Merit

<u>Age</u>	<u>Police</u>	<u>Fire</u>	<u>Bd of Ed</u>	<u>Munic. Svc. &amp; Lib.</u>
25	6.60%	4.5%	4.40%	6.40%
30	4.80%	2.63%	3.70%	4.78%
35	2.65%	1.25%	3.35%	2.75%
40	1.45%	0.85%	2.50%	2.21%
45	1.10%	0.75%	1.40%	2.00%
50	1.00%	0.75%	0.85%	1.55%
55+	1.00%	0.75%	0.75%	1.25%

Salaries are adjusted for groups in negotiations by 3% per year for the period of each open contract, and non-bargaining groups by 3% per year for one full fiscal year from the measurement date. Any wage increases negotiated beyond the valuation date have been reflected in our projections.\*

\* *The following groups have future salary increases that have been negotiated and are reflected in this valuation:*

Firefighters  
HMEA  
CHPEA  
MLA  
Non-union  
School Crossing Guards  
Police

For Police, final average pay is loaded by a percentage for assumed private duty and overtime as follows: Pre-7/1/1999 hires: 43%; Post 7/1/1999 hires: 19% for employees remaining in the pre 2012 plan; 25% for employees moving to the 7/1/2012 plan.

### Section III

## Actuarial Cost Methods and Assumptions (continued)

Assumed Retirement Age:

#### Retirement Rates: Police

<u>Service</u>	<u>Age &lt;50</u>	<u>Age &gt;50</u>
20	50.0%	30.0%
21-24	40.0%	25.0%
25-29	30.0%	15.0%
30+	100.0%	100.0%

100% retire at age 65, regardless of service; must be age 40 to retire

#### Retirement Rates: Fire

<u>Age</u>	<u>Years of Service</u>	
	<u>20-24</u>	<u>25-29</u>
45-49	2.5%	5.0%
50-54	5.0%	20.0%
55-59	10.0%	30.0%
60-64	25.0%	40.0%
65+	100.0%	100.0%

100% retire at 30 years of service for all ages

#### Retirement Rates: Board of Education

<u>Age</u>	<u>Rate</u>
55	10.0%
56-57	5.0%
58-61	10.0%
62-64	15.0%
65	40.0%
66-69	15.0%
70	100%

#### Retirement Rates: Municipal Services and Library

<u>Age</u>	<u>&lt;20 yrs svc or</u>	<u>Service</u>	<u>+20 on yrs svc</u>
	<u>over age 65</u>		<u>and under age 65</u>
55	15.0%	20	15%
56-59	7.5%	21	20%
60-64	15.0%	22	15%
65	30.0%	23-25	10%
66-74	15.0%	26-27	15%
75	100%	28	20%
		29	10%
		30	25%
		31-34	10%
		35	100%

Post 65 rates above used for all years of service.

### Section III

#### Actuarial Cost Methods and Assumptions (continued)

Social Security: Future tax wage bases are developed by projecting the 2012 base of \$110,100 forward at 4% per year.

Marital Status at Retirement: Non-Uniformed:  
 Males - 80% married, spouse 3 years younger.  
 Females - 60% married, spouse same age.

Uniformed:  
 All - 80% married, spouse 2 years younger.

Disability: Disability benefits were explicitly valued using the DP85 Class 1 Male and Female Disability Incidence Rate Table increased 150% for the Police, 250% for Firefighter groups, 10% for the Board of Education groups, and 10% for the Municipal Services and Library groups.

*DP85 Class 1 Disability Incidence Table:  
Sample male and female rates*

<u>Age</u>	<u>Male</u>	<u>Female</u>
15	0.021%	0.023%
20	0.029%	0.030%
25	0.038%	0.047%
30	0.048%	0.080%
35	0.069%	0.136%
40	0.117%	0.211%
45	0.202%	0.323%
50	0.358%	0.533%
55	0.722%	0.952%
60	1.256%	1.159%
65	1.753%	1.358%

Expenses other than Investment Expenses: An explicit dollar amount was included in the development of the normal cost equal to an estimate of expenses (other than investment expenses) for the upcoming year. The estimate was developed based on an average of actual expenses over the last four years. For the 2012 valuation, \$2,543,171 was used. Estimated expenses were then allocated to the various groups by the actuarial accrued liability.

## Section III

### Actuarial Cost Methods and Assumptions

(continued)

Sick Exchange:	Four years are exchanged by all actives if provision available. For Firefighters hired prior to July 1, 2003, six years are exchanged.
Military and Prior Service Buy-backs:	When a decision to buy-back service occurs, date of hire is adjusted accordingly.
Additional Liabilities:	<p><b><u>COLAs:</u></b></p> <p>Included in this valuation is the liability for the Cost of Living Adjustments (COLAs) effective July 1, 1987, July 1, 1990, July 1, 1997, July 1, 1999, July 1, 2001, July 1, 2005, and July 1, 2007 for both the MERF and the unfunded "Old Plans" (PBF, FRF, and RAF).</p> <p><b><u>Local 1716:</u></b></p> <p>Included in this valuation is the obligation for Local 1716 members who transferred to State MERF B on July 1, 1987.</p> <p>29-year amortization payments (split between the City administration and the pension fund) commenced July 1, 1987 for this obligation. As of July 1, 2012, the City payment will be \$509,126 (\$1,821,000 on a present value basis) and the pension fund payment will be \$462,336 (\$1,654,000 on a present value basis).</p> <p><b><u>Local 566:</u></b></p> <p>Included in this valuation is the obligation for Local 566 (included merged Local 1303) members who transferred to State MERF B on August 1, 1988.</p> <p>30-year amortization payments (split between the City administration and the pension fund) commenced August 1, 1988 for this obligation. As of July 1, 2012, the City payment will be \$303,918 (\$1,709,000 on a present value basis) and the pension fund payment will be \$276,288 (\$1,554,000 on a present value basis).</p>



## Section IV

### Hartford MERF - Summary of Principal Provisions of Pension Plan July 1, 2012

#### PROVISIONS FOR:

#### Retirement Pensions:

#### POLICE OFFICERS AND FIREFIGHTERS

Firefighters hired before July 1, 2003: 2.80% of Final Average Pay (rate of weekly pay immediately preceding retirement times 52, plus for firefighters who work a 42 hour week, holiday pay) multiplied by years of service up to 25 plus 2.0% for years over 25.

Firefighters hired after June 30, 2003: 2.5% of Final Average Pay (rate of weekly pay immediately preceding retirement times 52, plus for firefighters who work a 42 hour week, holiday pay) multiplied by years of service up to 20 plus 2% of Final Average Pay for years of service over 20.

Sworn Police Officers hired before July 1, 1999: 2.65% of Final Average Pay for highest 3 of last 5 years multiplied by years of service up to 20 plus 3% for year 21 plus a decreasing percentage for years over 21. Final Average Pay includes a provision for over-time and private duty pay.

Sworn Police Officers hired after June 30, 1999 not opting into 2012 plan: 2.5% of Final Average Pay for highest 3 of last 5 years times years of service up to 20 plus 2% for years of service over 20.

Sworn Police Officers hired after the July 1, 2012 and officers hired after June 30, 1999 opting into new Plan: 2.8% of final rate of pay times years of service up to 25 years plus 2.5% for years of service over 25.

#### BOARD OF EDUCATION MEMBERS

2% (2.5% for HFSHP, HSSSA and HESP) of Final Average Pay for highest 5 of last 10 years times years of service, with maximum benefit of 70% of Final Average Pay. Final Average Pay for HFSHP, HESP, HSSSA, and Local 2221, Hartford Federation of Paraprofessionals are based on highest 3 out of last 5 years. Benefit for Local 2221 is 2.5% of Final Average Pay multiplied by years of service up to 20 plus 2% of Final Average Pay for years of service over 20 (maximum of 10 years).

Effective July 1, 2008 for Local 818, employees hired prior to March 1, 2007 will get 2.5% of Final Average Pay (for each year of service) and employees hired after March 1, 2007 will get 2.0%. Final Average Pay is the highest 3 of the 7 years. Maximum benefit is 70% of pay.

Nonunion employees hired after September 30, 2010 no longer participate in the MERF.

#### MUNICIPAL SERVICES & LIBRARY MEMBERS

For Library and MLA hired on or after July 1, 2006, HMEA hired after July 1, 2003, CHPEA hired after June 23, 2003, 2% of Final Average Pay for highest 2 of last 5 years times years of service with a maximum benefit of 70% of Final Average Pay. For Library with 5-year option, Final Average Pay is highest 5 of last 10 years.

For CHPEA hired on or before June 23, 2003, MLA hired before July 1, 2006, and Nonbargaining, 2.5% of Final Average Pay for highest 2 of last 5 years times years of service. Maximum benefit of 70% of Final Average Pay for CHPEA, 80% for Nonbargaining and MLA. For Nonbargaining with 5-year option, Final Average Pay is highest 5 of last 10 years.

For Nonbargaining municipal employees hired after January 1, 2011, retirement benefit multiplier is reduced to 1.75%.

For HMEA hired before July 1, 2003, 2.75% of Final Average Pay for highest 2 of last 5 years times years of service with a maximum benefit of 75% (was 70%) of Final Average Pay.

For SCGA, 2% of Final Average Pay for highest 5 of last 10 years reduced by 1% of average Social Security covered earnings for all years included in computation of Social Security primary benefits. Maximum benefit of 100% of Final Average Pay.

**PROVISIONS FOR:**

**POLICE OFFICERS AND FIREFIGHTERS**

**BOARD OF EDUCATION MEMBERS**

**MUNICIPAL SERVICES & LIBRARY MEMBERS**

**Retirement Pensions:**

Non-Sworn Police Officers: 2.5% of Final Average Pay for highest 3 of last 5 years times years of service, with maximum benefit of 80% of Final Average Pay.

Sworn Police Officers have a maximum benefit of 70% of Final Average Pay. For Sworn Police Officers hired before July 1, 1999 and after July 1, 2012 or hired between July 1, 1999 and June 30, 2012 opting into 2012 plan, increase maximum benefit to 80% of Final Average Pay with sick exchange provision for pre July 1, 1999 hires only. Firefighters have a maximum benefit of 80% of Final Average Pay (85% with sick exchange if hired prior to July 1, 2003).

Assistant Police Chief, Police Chief, Assistant Fire Chief and Fire Chief: Same as Non-Bargaining.

**Normal Form of Benefit:**

For unmarried members: life annuity.  
For married members: surviving spouse benefit of 25% of member's final year's earnings, if non-service connected death, and 50% of member's final year's earnings, if service connected death. Minimum of 50% of pension benefit for firefighters for non-service connected death.

For married Non-Sworn Police Officers: life annuity with 50% to survivor.

For unmarried members: life annuity.  
For married members: life annuity with 50% to survivor.

For unmarried members: life annuity.  
For married members: life annuity with 50% to survivor.

**PROVISIONS FOR:**

**POLICE OFFICERS AND FIREFIGHTERS**

**BOARD OF EDUCATION MEMBERS**

**MUNICIPAL SERVICES & LIBRARY MEMBERS**

**Normal Retirement Age and Service Requirement:**

Firefighters and Sworn Police Officers hired before July 1, 1999: Full benefits after 20 years of continuous service.

Sworn Police Officers hired after June 30, 1999: Full benefits after 25 years of continuous service.

Sworn Police Officers hired after June 30, 2012, full benefits after 25 years of continuous service and age 55.

Non-Sworn Police Officers: Full benefits after 20 years of service, or age 60 plus 5 years of continuous service, or after 15 years of service, if contributions are left in the MERF until would have had 20 years of service.

Age 60 plus 10 (5 for non-bargaining – was 10) years of service (continuous service for Local 2221). Members are also eligible at age 55 with 25 years of service. Local 818 employees hired prior to March 1, 2007 may retire after 20 years of service, regardless of age. For HSSSA, age 55 and 5 (was 10) years of service.

For SCGA and MLA hired on or after July 1, 2006, earlier of (1) age 60 plus 5 years of continuous service or (2) age 55 with 25 years of continuous service.

For Nonbargaining and MLA hired prior to July 1, 2006, earlier of (1) age 60 plus 5 years of continuous service or (2) 20 years of service, or (3) after 20 years of service if participant leaves after 15 years of service and contributions are left in the MERF until would have had 20 years of service.

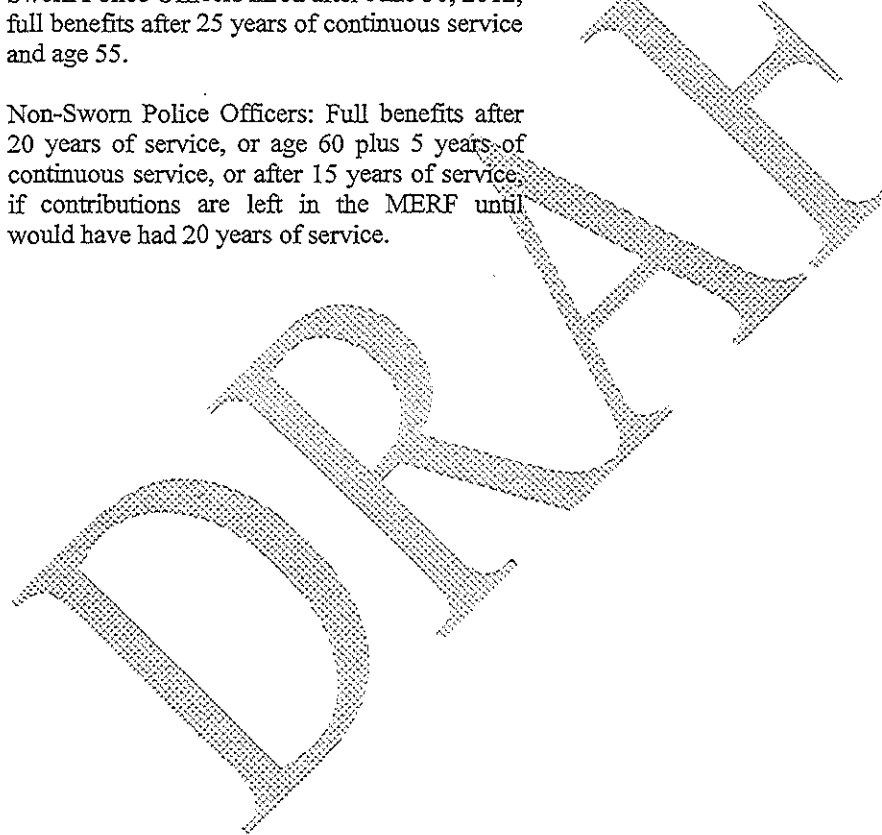
For CHPEA, earlier of (1) age 60 plus 5 years of continuous service or (2) 20 years of aggregate service if hired on or before June 23, 2003, age 55 with 25 years of aggregate service if hired after June 23, 2003.

For HMEA earlier of (1) age 60 plus 5 years of continuous service or (2) 20 years of continuous service if hired before July 1, 2003, age 55 with 25 years of continuous service if hired after July 1, 2003.

For Library non union, earlier of (1) age 60 plus 5 years of continuous service or (2) 25 years of continuous service.

For Library union, (1) age 60 plus 10 years of continuous service or (2) 25 years of continuous service.

For Nonbargaining municipal employees hired after January 1, 2011, earlier of age 55 with 20 years of service and age 62 with 5 years of service.



**PROVISIONS FOR:**

**POLICE OFFICERS AND FIREFIGHTERS**

**BOARD OF EDUCATION MEMBERS**

**MUNICIPAL SERVICES & LIBRARY MEMBERS**

**Optional Early Retirement:**

Sworn Police Officers: Age 50 with 10 years of continuous service, actuarially reduced for years prior to Normal Retirement Age. Non-Sworn Police Officers: Age 55 with 5 years of continuous service, reduced at 4% per whole year prior to age 60.

At age 55 with 10 years (5 years for HESP) of service (continuous service for Local 2221), reduced at 4% per whole year prior to age 60. For Local 818, reduction is adjusted for partial years.

For Library union, age 55 with 10 years of continuous service. For all others, age 55 with 5 years of continuous service. Benefit reduced at 4% per whole year prior to age 60 (prorate for partial years for HMEA and CHPEA). For SCG members, reduction is 2% per whole year and fraction of a year prior to age 60.

Firefighters: Age 50 with 5 years of continuous service, actuarially reduced or reduced at 2% per year (prorated for fractional years) prior to Normal Retirement Age.

For Nonbargaining municipal employees hired after January 1, 2011, early retirement reduction is 4% per year prior to age 62.

**Vesting of Earned Deferred Pension:**

Sworn Police Officers: After 10 years of continuous service.

After 10 years (5 years for HESP, HSSSA and non-bargaining) of continuous service. Payments begin no earlier than age 55. (Was 10 years for HSSSA and non-bargaining).

For Library union, 10 years of continuous service. For all others, 5 years of continuous service. Payments begin no earlier than age 55.

Firefighters and Non-Sworn Police Officers: After 5 years of continuous service.

**Benefits to Survivors: (Death of Active Member Prior to Retirement)**

Surviving Spouse: 25% of final year's earnings (50% if service connected death), payable until death or remarriage. Minimum of 50% of pension benefit for Firefighters for non-service connected death. Surviving Child: \$100 per month for first child, \$50 for each additional child (10% of final year's earnings if service connected death, or 15% if no surviving spouse). Total benefit, including Worker's Compensation, cannot exceed 100% of current pay rate for Member's rank. Non-Sworn Police Officers: Same as General Government members.

Member must meet qualifications for vesting. Surviving Spouse: 50% of pension which Member is receiving or would be entitled to when retired, payments beginning no earlier than date of Member's 55th birthday. Surviving Spouse benefits are payable until death or remarriage.

**MUNICIPAL SERVICES & LIBRARY MEMBERS**

**PROVISIONS FOR:**

**POLICE OFFICERS AND FIREFIGHTERS**

**BOARD OF EDUCATION MEMBERS**

**Refund of Contributions upon Discontinuance of Employment or at Death (Non-Vested Members):**  
(May be taken in lieu of earned deferred pension by vested members)

Refund of total contributions, without interest.

Termination: Refund of total contributions, with 3% interest compounded annually.  
Death: Refund of total contributions with interest preretirement and without interest postretirement.

**Pensions for Permanent, Total Disability - Service Requirements:**

5 years of continuous service, but no requirement if disability is service connected as defined in Worker's Compensation Act.

10 years of continuous service, except no requirement if disability is service connected as defined in Worker's Compensation Act.

**Amount of Total Disability Pension:**  
(Payable so long as total disability continues.)

Retirement Pension with minimum of 25% of "final average pay." If disability is service connected, the pension equals 100% of the Member's final annual pay less Worker's Compensation benefits.

Retirement Pension using Final Average Pay for last 10 years. If disability is service connected, amount not less than 50% of Member's final annual pay at time of disability. Maximum benefit of 2/3 of 10-year Final Average Pay less Social Security benefit. Minimum benefit of \$30 per month. All service connected disability benefits are offset by benefits payable by Worker's Compensation (exception: no offset for \$30 minimum).

**Pensions for Permanent Partial Disability:**  
(Where earnings capacity is reduced by at least 10%.)

Non-Sworn Police Officers: Same as General Government members.

If non service connected, same as above, but no 50% Final Average Pay minimum and minimum benefit equals \$10 per month instead of \$30 per month.

Ten years of continuous service, but no service requirement if disability is service connected. Same as retirement pension with reduction for less than 15 years of service. If non-service connected, retirement pension, subject to a minimum equal to 25% of Final Average Pay. This minimum is reduced by earnings if less than 15 years of service at time of disability. If service connected, pension equals 50% of final annual pay (regular 20 year pension for Firefighters) if 15 years of service, with reductions for earnings if less than 15 years of service. If at least 20 years of service, pension equals retirement pension.

10 years of continuous service, except no requirement if disability is service connected as defined in Worker's Compensation Act. Retirement Pension using Final Average Pay for last 10 years (with offset for Worker's Compensation benefits if service-related disability), subject to a minimum pension of \$10 monthly (non-service connected), or \$30 (service connected). If the disability is service connected, benefit not less than 50% of the reduction in earnings with offset for Worker's Compensation benefits. For service connected disability, the maximum benefit is 2/3 of 10 year final average pay less Worker's Compensation and Social Security benefits. For non-service connected disability, the maximum is 2/3 of 10 year final average pay less Social Security benefits, or 1-2/3% of the reduction in income times years of service.

Non-Sworn Police Officers: Same as General Government members.

**PROVISIONS FOR:**

**Member's Contribution Rate of Total Earnings:**  
(City pays full balance of costs to fund MERF benefits; also Members and City pay taxes for those covered by Social Security.)

**POLICE OFFICERS AND FIREFIGHTERS**

Firefighters and Sworn Police Officers hired before July 1, 1999: 8%.

Sworn Police Officers hired after June 30, 1999: 6.5%. If opt into 2012 plan, rate increases to 8.0%

Sworn Police Officers hired after June 30, 2012, 9.5%

Non-Sworn Police Officers: 4% on earnings taxed for Social Security and 7% on excess.

Sworn Police Officers hired prior to July 1, 2012 had the option to elect retiree health insurance. If such election was made, the employee contribution rate increases by 1.5%.

Assistant Police Chief, Police Chief, Assistant Fire Chief and Fire Chief: Same as Non-Bargaining.

**BOARD OF EDUCATION MEMBERS**

4% on earnings taxed for Social Security and 7% on excess. For HESP, 9% and 12%, respectively. For HSSSA, 9.25% and 12.25%, respectively (was 8.75%/11.75%). For HFSHP 10.14% and 13.14%, respectively. For Non-bargaining 4.5% and 7.5%, respectively (was 4%/7%).

For Local 818, 5.2% up to Social Security Wage Base and 8.2% of the excess. If hired on or after March 1, 2007, 7.1% and 10.1%, respectively.

**MUNICIPAL SERVICES & LIBRARY MEMBERS**

For Nonbargaining, 5% on earnings taxed by Social Security and 8% on excess if 5 year Final Average Pay option elected (was 4%/7%). With 2 year option, 6% and 9%, respectively (was 5%/8).

For Library, 4% on earnings taxed by Social Security and 7% on excess if 5 year Final Average Pay option elected. With 2 year option, 5% and 8%, respectively.

For MLA, HMEA hired after July 1, 2003, and CHPEA hired after June 30, 2003, 5% on earnings taxed by Social Security and 8% on excess. For CHPEA hired on or before June 30, 2003, 6.5% and 9.5%, respectively. For HMEA hired before July 1, 2003, 7.8% on all earnings.

For SCGA, 4% on earnings taxed by Social Security and 7% on excess (was 3%/6%).

**Note 1** Any Member (other than a Police Officer or Firefighter) who was a Member before January 1, 1958 is guaranteed a minimum total benefit, including Social Security based on earnings from the City, equal to the pension the Member would have received under the terms of the MERF plan in existence prior to the enactment of the 1957 Special Act No. 347. Also, several active Members who transferred to MERF on or after July 1, 1968 from the City's Retirement Allowance Fund are entitled to a pension determined by the RAF provisions if it is greater than that based on the MERF provisions.

**Note 2** Section 2-166 of the Municipal Code provides a minimum benefit of \$155 monthly for all pensions granted by reason of service or for service-connected disability, and for joint annuitants under elected options, except members for whom Social Security taxes have been paid and anyone for whom more than half of the total pension is paid by the Metropolitan District.

**Note 3** All members (other than SCG) may purchase up to 4 years of pension credit for military service. Pension credit is at the following rates of Final Average Pay per year purchased:

HMEA members hired before July 1, 2003	2.75%
Sworn Police Officers, Firefighters, CHPEA members hired on or before June 23, 2003, HFSHP, Local 818 hired prior to March 1, 2007, HSSSA, HESP, Non-bargaining (including Assistant Police Chief, Police Chief, Assistant Fire Chief, and Fire Chief), Non-Sworn Police Officers, and MLA hired prior to July 1, 2006	2.50%
Other (including CHPEA members hired after June 23, 2003, HMEA members hired prior to July 1, 2003, MLA hired on or after July 1, 2006, and Local 818 hired on or after March 1, 2007)	2.00%

**Note 4** All members (other than Sworn Police Officers hired after July 1, 1999, all Board of Education members, CHPEA hired after June 23, 2003, HMEA hired on or after July 1, 2003, Library, SCG and MLA hired on or after July 1, 2006, Nonbargaining municipal members hired after January 1, 2011) may exchange accumulated sick leave upon retirement for up to 4 years (6 years for Firefighters hired prior to July 1, 2003) of pension service time. Additional pension service time may be purchased from accumulated sick leave at the rate of twenty days of accumulated sick leave for each year of pension service time.