



**Milliman USA**  
*Consultants and Actuaries*

A MILLIMAN GLOBAL FIRM

February 2004

***Delaware County and Municipal  
Pension Plan  
Actuarial Valuation  
as of June 30, 2003***

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In preparing our report we relied on information (some oral and some written) supplied by the Office of Pension Staff. This information includes, but is not limited to, Plan provisions, employee data, and financial information. We did not audit this data. However, we compared the census data and financial information with the previous year's information and reviewed the results for reasonableness. We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

In performing this valuation, Milliman used assumptions and methods that meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*. The actuarial assumptions have been recommended by the actuary and adopted by the Board of Trustees based on Milliman's on-going review of the System's experience. We believe the assumptions used, in the aggregate, reflect our best estimate of anticipated future experience of the plan. The results of this report are dependent upon future experience conforming to these assumptions. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience.

At your request, we have conducted our annual actuarial valuation of the Delaware County and Municipal Pension Plan. The results of the valuation are contained in the following report. The purpose of the valuation is discussed in the Board Summary.

Dear Members of the Board:

Board of Pension Trustees  
State of Delaware  
McArdle Building  
860 Silver Lake Blvd., Suite 1  
Dover, Delaware 19904

February 6, 2004

Consultants and Actuaries

**Milliman USA**



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I believe that the State's pension plans are adequately and appropriately financed, in that the contributions are determined and funded on a level cost basis using reasonable actuarial methods and assumptions.

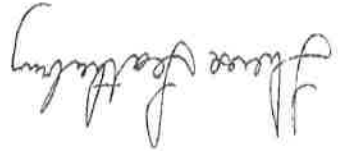
I understand this report is considered a public document and, as such, may be subject to disclosure to third parties. However, we do not intend to benefit, and assume no liability to, any third party who receives the report in this fashion.

I, Theresa Leatherbury, am a consulting actuary for Milliman USA and also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

MILLIMAN USA



Theresa R. Leatherbury, FSA  
Consulting Actuary

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# **BOARD SUMMARY**

## **SECTION I**

## BOARD SUMMARY

This report presents the results of the June 30, 2003 actuarial valuation of the Delaware County and Municipal Pension Plan. The primary purposes of performing the annual actuarial valuation are to:

- 1) **Determine the contributions** to be paid by the Employers in Fiscal Year 2005;
- 2) **Measure and disclose**, as of the valuation date, the financial condition of the fund;
- 3) **Indicate trends** in the financial progress of the fund;
- 4) **Provide specific information** and documentation required by the Government Accounting Standards Board (GASB).

In this section of the report, we will present a summary of the above information in the form of:

- The actuary's comments;
- The prior year's experience of the Fund's assets, liabilities, contributions, and membership;
- A series of graphs which highlight key trends experienced by the Fund; and
- A summary of all the principal results from this year's valuation, compared to the prior year's, in a single table, intended for quick reference purposes.

### Actuary's Comments

The actuarially determined contribution rate increased from 3.78% for FY 2004 to 4.93% for FY 2005. The main cause of the contribution rate increase is the lower than expected return on assets. During the year ended June 30, 2003, the System's assets earned 4.1% on a market value basis. Due to the System's asset-smoothing technique, the return on the actuarial asset value was 5.7%. This return is below the assumed rate of return of 8.5% and resulted in an actuarial loss on investments of **\$90,600**. In addition to the investment loss, there was a small loss on plan liabilities of \$151,000. As of the June 30, 2003 actuarial valuation, the System's unfunded actuarial liability/(surplus) was **(\$270,000)**. This is an increase from last year's unfunded actuarial liability/(surplus) of (\$217,000).

The balance of this section presents summarized information regarding System trends, details on the 2002/2003 experience, and tables presenting a summary of the principal results.

# BOARD SUMMARY

## Prior Year Experience

### ASSETS

The Plan has two measures of plan assets: (i) the market value and (ii) the actuarial value. The market value is a snapshot of the asset value as of June 30, 2003.

The actuarial value is a smoothed asset value that recognizes 20% of the difference between the expected actuarial value and the market value of assets. The expected actuarial value equals the prior year's actuarial value adjusted with contributions, payments and investment earnings of 8.5%. This method tempers the volatile fluctuations in market value.

The actuarial value of assets as of June 30, 2003 exceeds the market value by \$363,000. This represents an accumulation of stored investment losses as a result of several years of investment performance returns lower than the assumed rate. Even if the market value earns 8.5% in the upcoming fiscal year, the return on the actuarial value will lag the return on the market value due to these stored losses. In fact, it will take a market return in excess of 8.5% for several years (or one year that far exceeds 8.5%) before the stored losses in the actuarial value will be eliminated.

For the plan year ending June 30, 2003, the Fund earned 4.1% on a market value basis and 5.7% on an actuarial value basis. These returns are lower than the assumption of 8.5% and resulted in an actuarial loss to the fund of \$130,000 on a market value basis and \$90,600 on an actuarial value basis. The specific changes between the prior year's amounts and this year's are presented below.

Item	Market Value	Actuarial Value
June 30, 2002 value	\$2,735,000	\$3,032,800
Employer Contributions	247,500	247,500
Member Contributions	259,000	259,000
Benefit Payments and Expenses	(120,800)	(120,800)
Expected Investment Earnings (8.5%)	248,900	274,200
Expected Value June 30, 2003	\$3,369,600	\$3,692,700
Investment Gain (Loss)	(130,100)	(90,600)
June 30, 2003 value	\$3,239,500	\$3,602,100

**LIABILITIES**

Three different measures of liabilities are calculated for this fund: a total value of future obligations, an actuarial liability, and an accrued benefit liability. Section III of this report describes the development of each. The actuarial liability is used to determine the Employer contribution rate and the Government Accounting Standards Board (GASB) disclosures. Plan experience is measured by changes in the actuarial liability. During the plan year ending in 2003, the actuarial liabilities experienced a loss of \$151,000 for funding purposes, which is 4.7% of the total actuarial liability.

Liabilities	Total Value	Actuarial	Accrued Benefit
June 30, 2002	\$4,636,600	\$2,815,700	\$1,717,200
June 30, 2003	\$8,281,100	\$3,332,100	\$2,094,100

**UNFUNDED LIABILITIES AND FUNDING RATIOS**

The difference between assets and liabilities is the unfunded liability. This is measured in two ways: (i) unfunded actuarial liability, which compares the actuarial liability to the actuarial asset value, and (ii) unfunded accrued benefit liability, which compares the accrued benefit liability to the market value of assets. Here we show the June 30, 2002 and June 30, 2003 unfunded liability/(surplus) amounts, as well as the corresponding funding ratios for each (assets divided by liabilities).

Actuarial	Accrued Benefit
6/30/2002 Net (Surplus) Unfunded	(\$217,100)
Funding Ratio	107.7%
6/30/2003 Net (Surplus) Unfunded	(\$270,000)
Funding Ratio	154.7%



**CONTRIBUTIONS**

In Section IV, we develop the County and Municipal employer contribution rate. In this summary, we present the rate developed in the current year's actuarial valuation, and compare it to the rate developed in the June 30, 2002 actuarial valuation.

<b>Rate as Percent of Covered Payroll</b>	
June 30, 2002 Rate	3.78%
Increase / (Decrease) due to Investments	0.13%
Increase / (Decrease) due to Liabilities	0.22%
Increase / (Decrease) due to Payroll Growth	0.80%
June 30, 2003 Rate	4.93%

The increase / (decrease) due to payroll growth reflects the difference between the actual aggregate payroll increase and the assumed 4% increase implicit in the amortization method. Since the Plan has a net surplus, the net amortization amount is a credit. We assume the credit will increase 4% per year. Since the aggregate payroll increase exceeded 4%, the amortization credit decreases when expressed as a percentage of payroll. A decrease in the amortization credit results in an increase in the overall contribution rate.

**MEMBERSHIP**

There are four types of plan participants: (i) current active workers; (ii) previous terminations who retain a right to a deferred vested benefit; (iii) previous terminations who are not vested but have member contributions in the System (inactives); and (iv) participants in pay status. In Appendix A, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2002 and 2003.

As you can see, there was a significant overall increase in participation during the year.

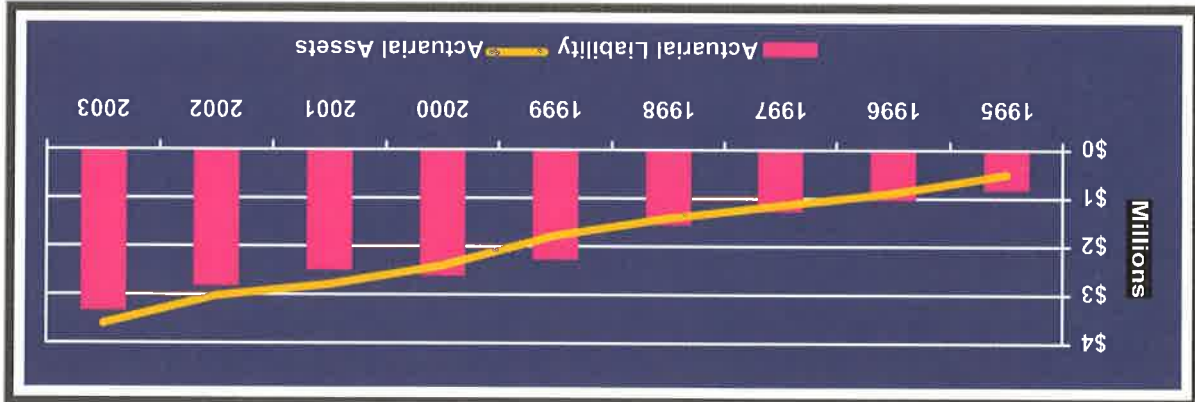
	6/30/2003	6/30/2002	Change
Active Participants	203	90	125.6%
Terminated Vested Participants	1	1	0.0%
Inactive Participants	2	0	N/A
Participants in Pay Status	14	11	27.3%
TOTAL PARTICIPANTS	220	102	115.7%

# BOARD SUMMARY

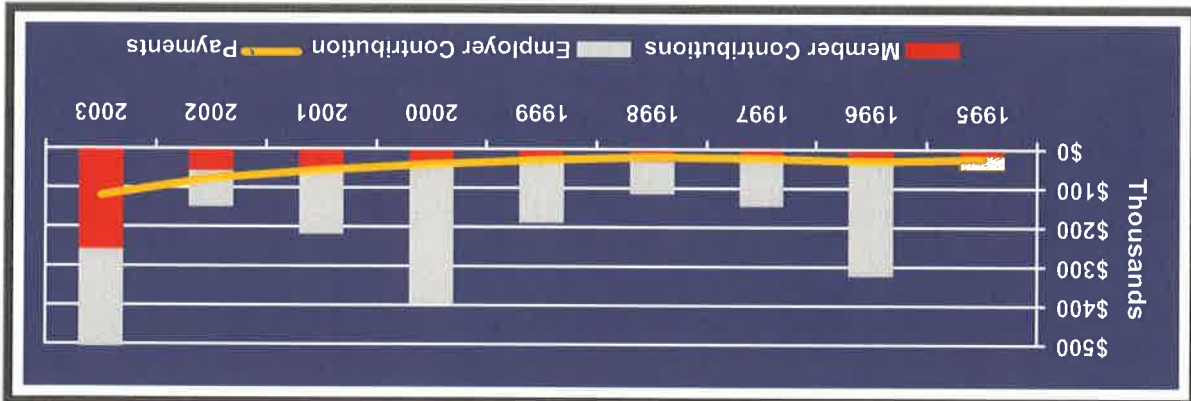
## Trends

To truly understand the financial condition of the pension plan, a review of the prior year's funded status is helpful in seeing the big picture and general trend evolving. Below, we present three charts which present trend information from 1995 through the end of 2003.

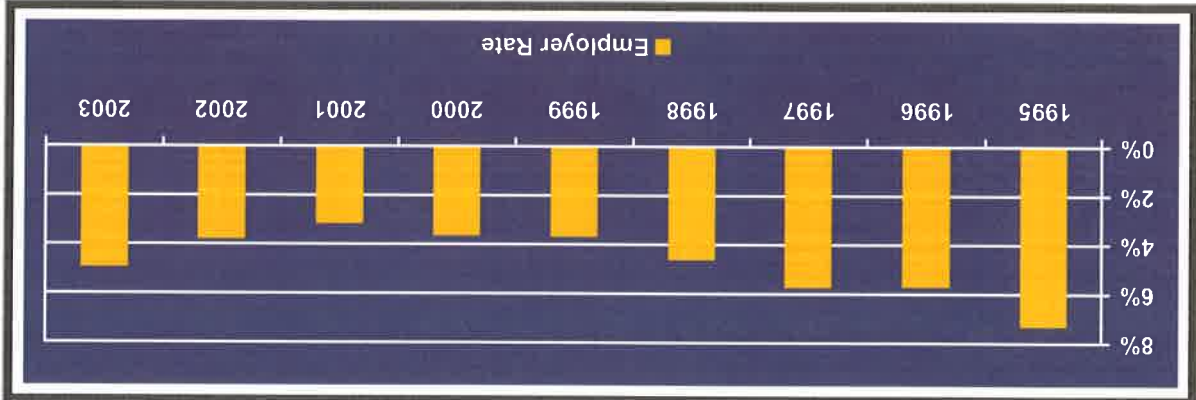
### ASSET / LIABILITIES



### CASH FLOWS



### EMPLOYER CONTRIBUTION RATE



# BOARD SUMMARY

COUNTRY & MUNICIPAL GENERAL EMPLOYEES' PLAN			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->			
	6/30/2003	6/30/2002	% change
<b>PARTICIPANT COUNTS</b>			
ACTIVES	203	90	125.6%
TERMINATED VESTEDS	1	1	0.0%
INACTIVES	2	0	N/A
IN PAY STATUS	14	11	27.3%
TOTAL	220	102	115.7%
Annual Salaries of Active Members	\$ 6,208,800	\$ 2,544,600	144.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 56,200	\$ 41,100	36.7%
<b>ASSETS &amp; LIABILITIES</b>			
Total Actuarial Liability	\$ 3,332,100	\$ 2,815,700	18.3%
Assets for Valuation Purposes	3,602,100	3,032,800	18.8%
Unfunded Actuarial Liability	(\$ 270,000)	(\$ 217,100)	24.4%
Funding Ratio	108.1%	107.7%	N/A
Present Value of Accrued Benefits	\$ 2,094,100	\$ 1,717,200	21.9%
Market Value of Assets	3,239,500	2,735,000	18.4%
Unfunded FASB Accrued Liability	(\$ 1,145,400)	(\$ 1,017,800)	12.5%
Accrued Benefit Funding Ratio	154.7%	159.3%	N/A
<b>CONTRIBUTIONS AS % OF PAYROLL</b>			
	Fiscal Year 2005	Fiscal Year 2004	
Normal Cost Contribution	5.50%	5.50%	
Unfunded Actuarial Liability Contribution	(0.82%)	(1.97%)	
Expense	0.25%	0.25%	
Total Employer Contribution	4.93%	3.78%	

# SECTION II

# ASSETS

Pension plan assets and the decisions the Trustees may make with respect to future deployment of those assets play a key role in the financial operation of the plan. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely affect benefit levels, negotiated contributions, and the ultimate security of participants' benefits.

In this section we present detailed information on plan assets including:

- **Disclosure** of plan assets at June 30, 2003 and June 30, 2002;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**; and
- An assessment of **investment performance**.

**Disclosure:**

Market values represent "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the market place. As a result, market values are usually not suitable for long range planning.

Actuarial values, or "smoothed values," are market values which have been smoothed and are the actuary's best estimate of long term asset values. They are used for evaluating the Fund's ongoing ability to meet its obligations.

The current method employed by the Fund sets the actuarial value equal to the expected actuarial value plus 20% of the difference between the expected actuarial value and the actual market value. The expected actuarial value is the previous year's actuarial asset value adjusted with contributions, payments and investment earnings of 8.5%.

## ASSETS

### Changes in Market Value:

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment Income (realized and unrealized)

The specific changes during 2003 are presented below:

CHANGES IN MARKET VALUES	
Value of Assets – June 30, 2002	\$ 2,734,968
Adjustments	(163)
Actual Value of Assets	\$ 2,734,805
RECEIPTS	
Member Contributions	\$ 258,980
Employer Contributions	247,501
Investment Returns	<u>118,963</u>
Total Receipts	\$ 625,444
DISBURSEMENTS	
Benefit Payments	\$ 92,453
Administrative Expenses	<u>28,257</u>
Total Disbursements	\$ 120,710
TOTAL	
Value of Assets – June 30, 2003	\$ 3,239,539



# ASSETS

## Actuarial Value of Assets:

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results which could develop from short term ups and downs in the Market Value of Assets. For this Fund, the Actuarial Value has been calculated by adding 20% of any deviation from Market Value and Expected Actuarial Value to the Expected Actuarial Value. The following table shows the calculation of the Actuarial Value of Assets for the June 30, 2003 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS	
AS OF JUNE 30, 2003	
\$ 3,032,800	1. Actuarial Value of Assets at June 30, 2002
3,290,600	2. Amount in (1) with interest to June 30, 2003
506,500	3. Employer and member contributions for the Plan Year ended June 30, 2003
21,500	4. Interest on contributions assuming payments made uniformly throughout the year to June 30, 2003 at 8.50% per year
120,800	5. Disbursements from Trust except investment expenses, June 30, 2002 through June 30, 2003
5,100	6. Interest on disbursements to June 30, 2003 at 8.50% per year
3,692,700	7. Expected Actuarial Value of Assets at June 30, 2003 = (2) + (3) + (4) - (5) - (6)
3,239,500	8. Actual Market Value of Assets at June 30, 2003
(453,200)	9. Excess of (8) over (7)
\$3,602,100	10. Actuarial Value of Assets at June 30, 2003 = (7) + 20% of (9)

# SECTION III

# LIABILITIES



**Investment Performance:**

The Market Value of Assets (MVA) returned 4.1% for the year ended June 30, 2003.

The return on the actuarial value of assets was 5.7%. This return is higher than the market value due to the asset smoothing method. The smoothing method recognizes 20% of the difference between the expected actuarial value and the actual market value. This technique helps temper the large fluctuations in contribution rate that would result from using a straight market value in determining the contribution.

The return on the actuarial value will continue to lag 8.5% investment return on assumption until all the stored losses are recognized. In other words, the return on market value would have to exceed 8.5% by a large margin or for several years to eliminate the past losses.

## LIABILITIES

In this section we present detailed information on plan liabilities including:

- **Disclosure** of plan liabilities at June 30, 2003 and June 30, 2002;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

### Disclosure:

This report discloses three types of liabilities. Each liability has a specific purpose depending on the nature of the liability and the people ultimately using the information.

- **Total Future Obligations:** Used for analyzing the financial outlook of the Fund, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Fund, assuming participants continue to accrue benefits.

- **Actuarial Liabilities:** Used for funding calculations and GASB disclosures, this liability is calculated by taking the Total Obligations above and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.

- **Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the fund, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the plan can meet its current benefit commitments.

# LIABILITIES

The table below discloses each of these liabilities for the current, and prior, valuation. With respect to each disclosure, a subtraction of the appropriate value of Fund assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

LIABILITIES/NET (SURPLUS) UNFUNDED		6/30/2003	6/30/2002
<b>Total Obligations</b>			
Active Participant Benefits	\$	7,779,100	\$ 4,280,100
Retiree and Inactive Benefits		502,000	356,500
<b>Total Obligations</b>	<b>\$</b>	<b>8,281,100</b>	<b>\$ 4,636,600</b>
<b>Total Resources</b>			
Future Employer Contributions		3,441,200	1,321,500
Future Member Contributions		1,600,400	580,100
Market Value of Assets		3,239,500	2,735,000
<b>Total Resources</b>	<b>\$</b>	<b>8,281,100</b>	<b>\$ 4,636,600</b>
<b>Actuarial Liability</b>			
Total Liabilities	\$	8,281,100	\$ 4,636,600
Present Value of Future Normal Costs Under Entry Age Method		3,348,600	1,240,800
Present Value Of Future Member Contributions		1,600,400	580,100
<b>Actuarial Liability</b>	<b>\$</b>	<b>3,332,100</b>	<b>\$ 2,815,700</b>
<b>Net (Surplus) Unfunded</b>			
Actuarial Value of Assets		3,602,100	3,032,800
<b>Net (Surplus) Unfunded</b>	<b>\$</b>	<b>(270,000)</b>	<b>\$ (217,100)</b>
<b>Accrued Liability</b>			
Total Liabilities	\$	8,281,100	\$ 4,636,600
Less Present Value of Future Benefit Accruals		(6,187,000)	(2,919,400)
<b>Accrued Liability</b>	<b>\$</b>	<b>2,094,100</b>	<b>\$ 1,717,200</b>
Market Value of Assets		3,239,500	2,735,000
<b>Net (Surplus) Unfunded</b>	<b>\$</b>	<b>(1,145,400)</b>	<b>\$ (1,017,800)</b>

## LIABILITIES

### Changes in Liabilities:

Each of the liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- Benefits accrued since the last valuation
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, becoming disabled or dying at rates different than expected
- Pay different from expected
- New hires since the last valuation
- Plan amendments increasing benefits
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all the above, and also due to changes in expected Fund assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

In each valuation we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the fund. Below we present the key changes in liabilities since the last valuation.

LIABILITIES 6/30/2002	LIABILITIES 6/30/2003	LIABILITY INCREASE (DECREASE)	Change due to:	Plan Amendment	Assumption Change	Actuarial (Gain)/Loss	Benefits Accumulated and Other Sources
\$ 4,636,600	\$ 8,281,100	\$ 3,644,500	\$ 3,644,500	\$ 0	\$ 0	N/A	\$ 3,644,500
\$ 2,815,700	\$ 3,332,100	\$ 516,400	\$ 516,400	\$ 0	\$ 0	150,600	\$ 365,800
\$ 1,717,200	\$ 2,094,100	\$ 376,900	\$ 376,900	\$ 0	\$ 0	N/A	\$ 376,900
<b>TOTAL OBLIGATION</b>	<b>ACTUARIAL LIABILITY</b>	<b>ACCRUED LIABILITY</b>					

**LIABILITIES**

ACTUARIAL ACCRUED LIABILITIES		6/30/2003	6/30/2002
1. Actuarial Accrued Liabilities	Retiree and Inactive Benefits	\$ 502,000	\$ 356,500
	Active Members	2,830,100	2,459,200
	<b>Total AAL</b>	<b>\$ 3,332,100</b>	<b>\$ 2,815,700</b>
2. Actuarial Value of Assets		\$ 3,602,100	\$ 3,032,800
3. Unfunded Actuarial Liability		\$ (270,000)	\$ (217,100)
4. Allocation of Unfunded Actuarial Liability	Total of Allocated Bases	\$ 137,600	\$ 181,900
	Net Gain Base for Amortization	\$ (407,600)	\$ (399,000)

# CONTRIBUTIONS

## SECTION IV

## CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will utilize a funding mechanism that will result in a pattern of contributions that are both stable and predictable.

For this Fund, the funding mechanism is the **Entry Age Normal Actuarial Cost Method**. Under this method there are two components to the total contribution, a **normal cost**, and an **amortization payment**. A normal cost is determined as a percent of compensation for a typical new entrant. Each year's normal cost represents the cost to fund that portion of the total future obligations which has been allocated to the current year, based upon the actuarial cost method in use.

The amortization payment, on the other hand, is not calculated for individual participants but calculated for the Fund as a whole, and represents an annual installment to fund the **unfunded actuarial liability (UAL)** for the Fund. The UAL is the excess of the actuarial liability over the actuarial value of assets. The actuarial liability represents the amount of additional funds that would have been accumulated by the valuation date, had all prior normal costs been contributed, and all actuarial assumptions been realized.

In Appendix B we describe more fully this technical topic.

The table below presents and compares the actuarially determined contributions for the Fund for this valuation and the prior one, and includes a calculation of the average annual normal cost per participant for each year.

ACTUARIALY DETERMINED CONTRIBUTION		7/1/2003	7/1/2002
Entry Age Normal Cost	5.50%	5.50%	5.50%
Amortization Payment	(0.82%)	(1.97%)	0.25%
Expense	0.25%	0.25%	3.78%
Actuarially Determined Contribution	4.93%	4.93%	3.78%

# CONTRIBUTIONS

DEVELOPMENT OF PLAN COST		
As of June 30, 2003		
	In Dollars	As % of Payroll
1. Present value of projected benefits attributable to:		
a. Total Normal Cost	\$504,700	8.13%
b. Expected Member Contributions	163,200	2.63%
c. Employer Paid Normal Cost (a) - (b)	<u>\$341,500</u>	<u>5.50%</u>
2. Amortization of Unfunded Liability		
a. Remaining Gain Base	(51,200)	(0.82%)
b. Total Amortization Payments	<u>\$(51,200)</u>	<u>(0.82%)</u>
3. Allowance for Expense	\$15,500	0.25%
4. Total Employer Contribution Rate (1) + (2) + (3)	\$305,800	4.93%



# SECTION V

## ACCOUNTING STATEMENT INFORMATION

## ACCOUNTING STATEMENT INFORMATION

Two types of liabilities are disclosed for accounting purposes:

- **Statement No. 35 of the Financial Accounting Standards Board (FASB)** requires the Plans to disclose certain information regarding its funded status.
- **Statement No. 25 of the Governmental Standards Board (GASB)** establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi "snap shot" view of how the plan's assets compare to its liability as of the valuation date. The liability is determined as if contributions stopped and the accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the plan were to terminate. The FASB-35 liability is compared to the market value of assets to determine the funding ratio.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes. The GASB-25 liability is compared to the actuarial value of assets to determine the funding ratio.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the employer is on going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8.5% per annum.

FASB Statements No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement #25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2003 are exhibited in Table V-1. As directed by FASB-35, the liabilities shown in Section A of Table V-1 do not include any projection for future service and salary. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2002, to the liabilities as of June 30, 2003.

# ACCOUNTING STATEMENT INFORMATION

<b>TABLE V-1</b> <b>ACCOUNTING STATEMENT INFORMATION</b> <b>DELAWARE COUNTY &amp; MUNICIPAL GENERAL EMPLOYEES' PLAN</b>		
	June 30, 2003	June 30, 2002
<b>A. FASB #35 Basis</b>		
1. Present Value of Benefits		
Accrued to Date:		
a. Members Currently Receiving Payments	\$498,600	\$354,500
b. Former Vested Members	3,400	2,000
c. Active Members	1,592,100	1,360,700
2. Total Present Value of Accrued Benefits	<u>\$2,094,100</u>	<u>\$1,717,200</u>
3. Assets at Market Value	<u>\$3,239,500</u>	<u>\$2,735,000</u>
4. Unfunded Value to Value of Benefits	(\$1,145,400)	(\$1,017,800)
5. Ratio of Assets to Value of Benefits	154.7%	159.3%
<b>B. GASB #25 Basis</b>		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$502,000	\$356,500
2. Actuarial accrued liabilities for current Employees	<u>2,830,100</u>	<u>2,459,200</u>
3. Total actuarial accrued liability	\$3,332,100	\$2,815,700
(1 + 2)		
4. Net actuarial assets available for benefits	<u>\$3,602,100</u>	<u>\$3,032,800</u>
5. Unfunded actuarial accrued liability	<u>(\$270,000)</u>	<u>(\$217,100)</u>
(3 - 4)		

**TABLE V-2  
Statement of Changes in Total Actuarial  
Present Value of All Accrued Benefits**

TABLE V-2 Statement of Changes in Total Actuarial Present Value of All Accrued Benefits	
Actuarial Present Value of Accrued Benefits at June 30, 2002	\$1,717,200
Increase (Decrease) During years Attributable to:	
Passage of Time	142,000
Benefits Paid – FY 2003	(92,500)
Benefits Accrued, Other Gains/Losses	327,400
Plan Amendment	0
Net Increase (Decrease)	376,900
Actuarial Present Value of Accrued Benefits at June 30, 2003	\$2,094,100

# ACCOUNTING STATEMENT INFORMATION

**TABLE V-3  
SOLVENCY TEST  
DELAWARE COUNTY & MUNICIPAL GENERAL EMPLOYEES' PLAN**

Actuarial Acquired Liability for:		
1.	a. Retirees and Disabled Members and Survivors	\$498,600
	b. Vested Deferred and Inactive Status Members	3,400
	c. Active Members	2,000
	i) Accumulated employee contributions with interest	313,700
	ii) Employer-financed Liabilities	2,145,500
2.	Total	<u>\$3,332,100</u>
3.	Net Assets Available for Benefits at Market Value	<u>\$3,239,500</u>
4.	Ratio of Assets to Actuarial Acquired Liabilities: (3) / (2)	97.2%
		<u>\$2,735,000</u>
		97.1%
		<u>\$2,815,700</u>

June 30, 2003      June 30, 2002

# APPENDIX A MEMBERSHIP INFORMATION

# APPENDIX A – MEMBERSHIP INFORMATION

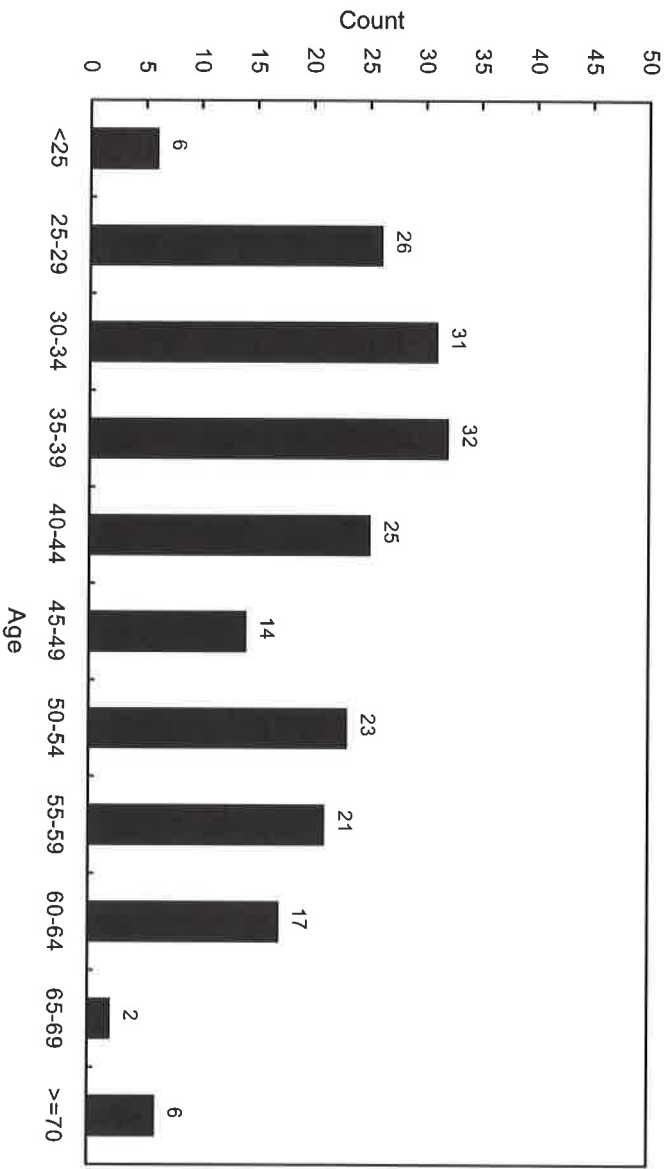
## Delaware County & Municipal Pension Plan Distribution of Active Members - by Age and Service as of June 30, 2003

Age	Service								Total	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39		40 & UP
Under 25	6									6
25 - 29	25	1								26
30 - 34	22	7	2							31
35 - 39	28	1	1	2						32
40 - 44	21	1	1		2					25
45 - 49	7	1	2		2	2				14
50 - 54	12	4	1	2	1	3				23
55 - 59	17		2	1	1					21
60 - 64	12	2	2	1						17
65 - 69	2									2
70 & UP	3	1	1	1						6
<b>Total</b>	<b>155</b>	<b>18</b>	<b>12</b>	<b>7</b>	<b>6</b>	<b>5</b>				<b>203</b>

# APPENDIX A – MEMBERSHIP INFORMATION

## Delaware County & Municipal Pension Plan Distribution of Active Members - by Age as of June 30, 2003

Age Distribution

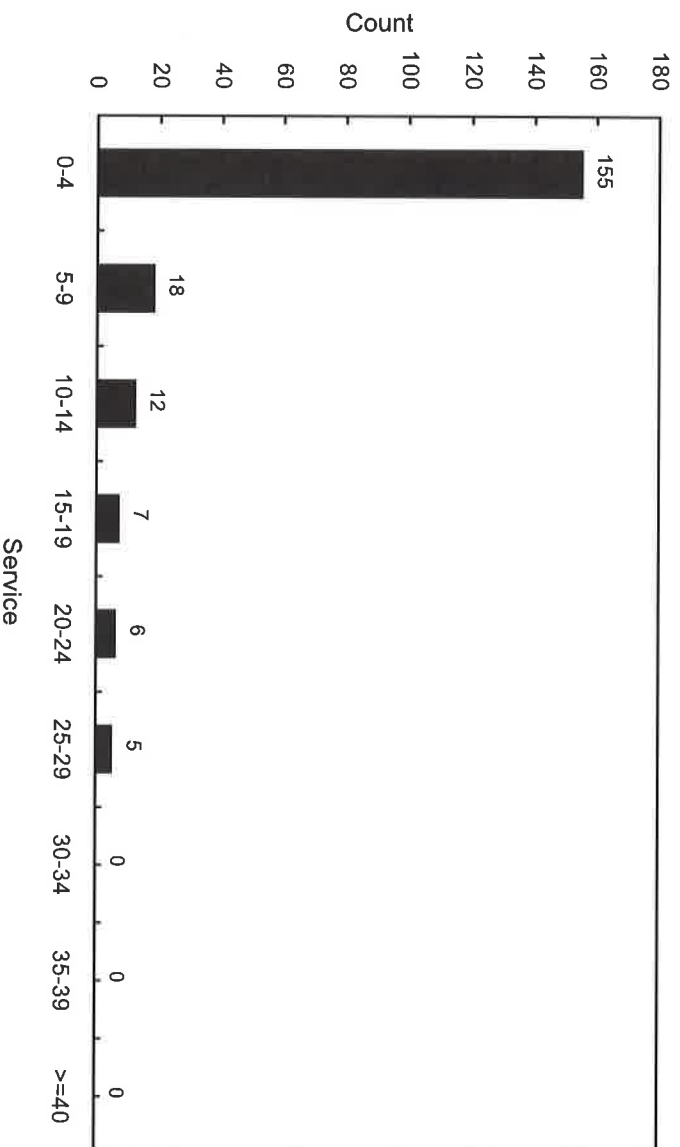




# APPENDIX A – MEMBERSHIP INFORMATION

## Delaware County & Municipal Pension Plan Distribution of Active Members - by Service as of June 30, 2003

Service Distribution



## APPENDIX A – MEMBERSHIP INFORMATION

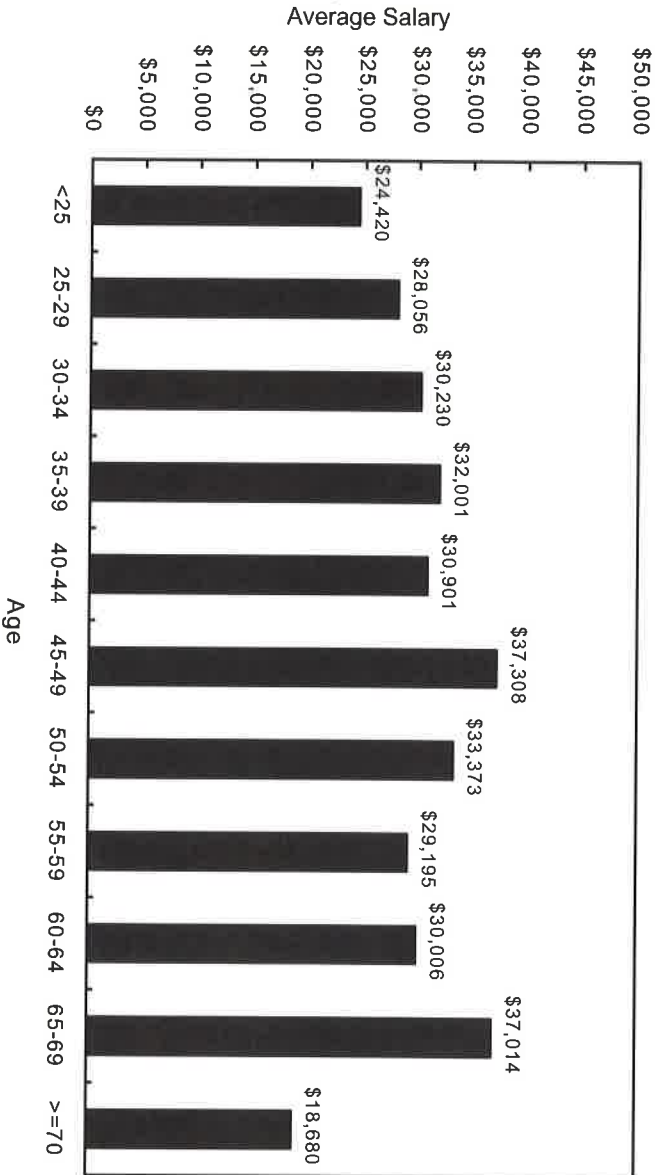
### Delaware County & Municipal Pension Plan Distribution of Average Salary - by Age and Service as of June 30, 2003

Age	Average Salary										Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & UP		
Under 25	\$24,420										\$24,420
25 - 29	\$28,267	\$22,771									\$28,056
30 - 34	\$29,287	\$34,194	\$26,728								\$30,230
35 - 39	\$31,337	\$30,763	\$26,290	\$44,773							\$32,001
40 - 44	\$30,073	\$25,230	\$43,792	\$35,980							\$30,901
45 - 49	\$35,591	\$37,810	\$32,848	\$43,393	\$41,440						\$37,308
50 - 54	\$33,650	\$25,790	\$37,856	\$30,101	\$47,240	\$38,439					\$33,373
55 - 59	\$28,625		\$33,172	\$29,338	\$30,796						\$29,195
60 - 64	\$30,217	\$29,287	\$33,334	\$22,259							\$30,006
65 - 69	\$37,014										\$37,014
70 & UP	\$13,350	\$12,048	\$29,658	\$30,322							\$18,680
<b>Total</b>	\$29,824	\$29,428	\$32,480	\$33,095	\$39,464	\$39,639					\$30,585

# APPENDIX A – MEMBERSHIP INFORMATION

## Delaware County & Municipal Pension Plan Distribution of Average Salary - by Age as of June 30, 2003

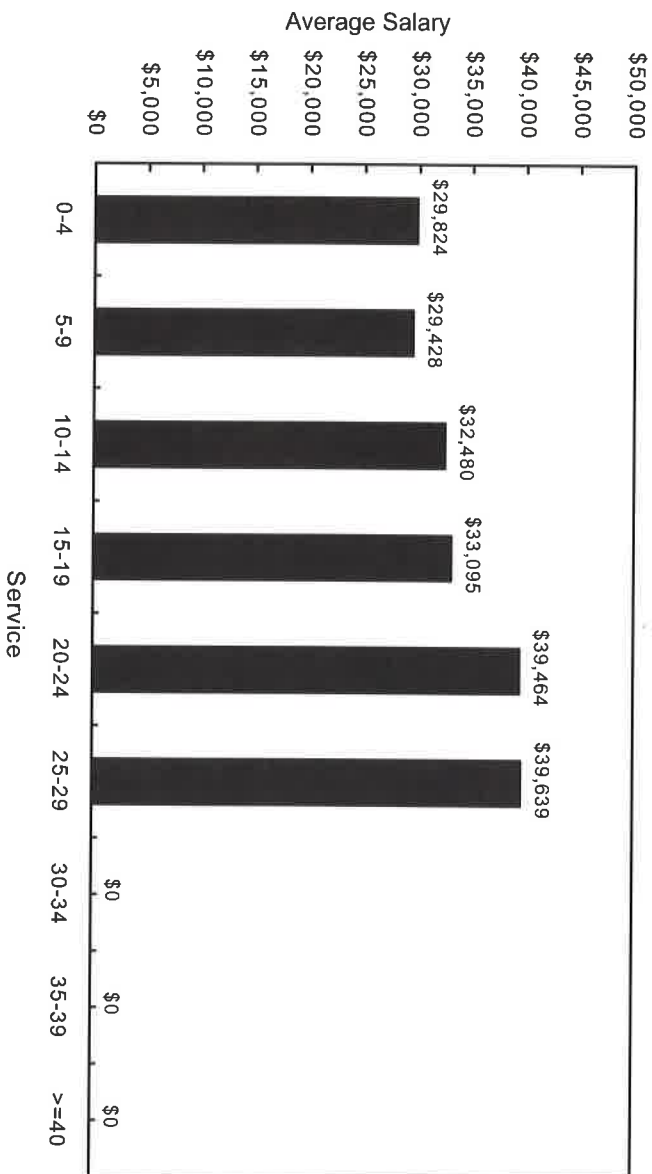
**Average Salary Distribution**



# APPENDIX A – MEMBERSHIP INFORMATION

## Delaware County & Municipal Pension Plan Distribution of Average Salary - by Service as of June 30, 2003

**Average Salary Distribution**



**APPENDIX A – MEMBERSHIP INFORMATION**

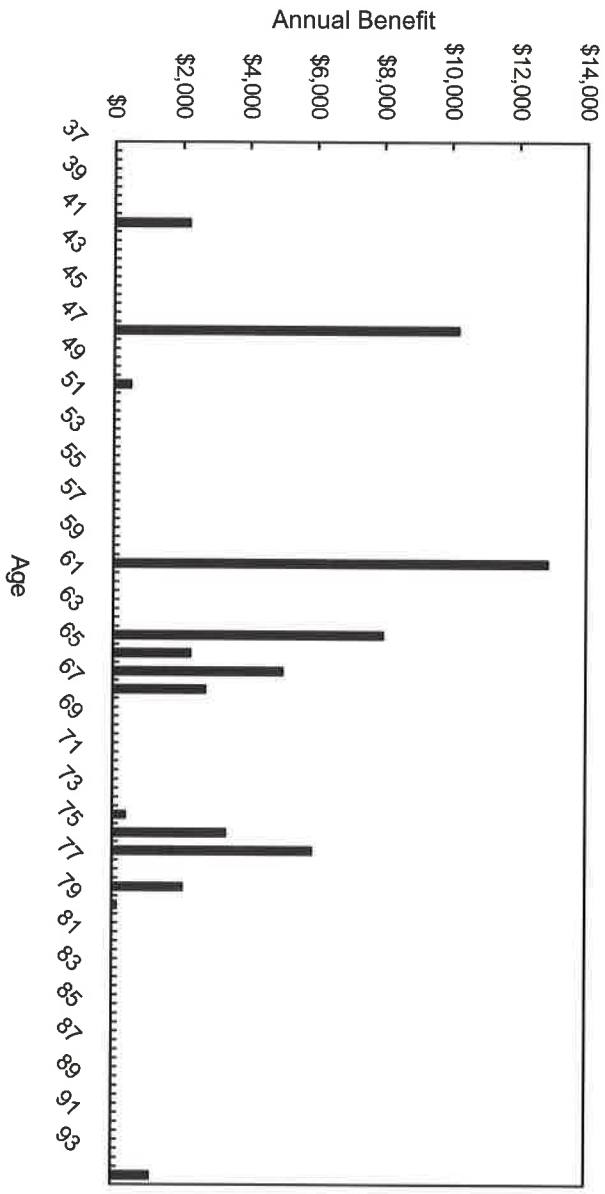
**Delaware County & Municipal Pension Plan  
Distribution of Retired Members, Survivors,  
Disabled Members and Vested Former Members  
as of June 30, 2003**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
37	0	\$0	66	1	\$5,007
38	0	0	67	1	\$2,725
39	0	0	68	0	\$0
40	0	0	69	0	\$0
41	1	2,207	70	0	\$0
42	0	0	71	0	\$0
43	0	0	72	0	\$0
44	0	0	73	0	\$0
45	0	0	74	1	\$376
46	0	0	75	1	\$3,328
47	1	10,206	76	1	\$5,889
48	0	0	77	0	\$0
49	0	0	78	1	\$2,069
50	1	483	79	1	\$133
51	0	0	80	0	\$0
52	0	0	81	0	\$0
53	0	0	82	0	\$0
54	0	0	83	0	\$0
55	0	0	84	0	\$0
56	0	0	85	0	\$0
57	0	0	86	0	\$0
58	0	0	87	0	\$0
59	0	0	88	0	\$0
60	2	12,857	89	0	\$0
61	0	0	90	0	\$0
62	0	0	91	0	\$0
63	0	0	92	0	\$0
64	1	7,990	93	0	\$0
65	1	2,273	94	1	\$1,122
			Total	15	\$56,665

# APPENDIX A – MEMBERSHIP INFORMATION

Delaware County & Municipal Pension Plan  
 Distribution of Retired Members, Survivors,  
 Disabled Members and Vested Former Members  
 as of June 30, 2003

Annual Benefit Distribution



# APPENDIX B

## ACTUARIAL ASSUMPTIONS AND METHODS

# APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

## ACTUARIAL ASSUMPTIONS AND METHODS

- A. Actuarial Assumptions**
1. Investment Return: 8.50%
  2. Healthy Life Mortality: 1983 Group Annuity Mortality Table.
  3. Disabled Life Mortality: Mortality under stipulated table for a healthy life ten years older.
  4. Increase in the Social Security Wage Base: 5.50%
  5. Rates of Salary Increase:

Age	Salary at Age 65 as Percent of Salary at Age Shown	Annual Increase
20	2,100%	7.00%
25	1,497	7.00
30	1,068	7.00
35	761	7.00
40	543	7.00
45	387	7.00
50	276	7.00
55	197	7.00
60	140	7.00

The salary scale includes allowance for inflation of 5% per year.



# APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

6. Rates of Termination:

Age	
20	6.58%
25	5.27
30	4.83
35	4.47
40	3.84
45	3.21
50	1.52
55	0.33
60	0.00

7. Rates of Healthy Life Mortality

Age	Male	Female
20	0.04%	0.02%
25	0.05	0.03
30	0.06	0.03
35	0.09	0.05
40	0.12	0.07
45	0.22	0.10
50	0.39	0.16
55	0.61	0.25
60	0.92	0.42

8. Rates of Retirement  
 Immediate retirement upon attaining the earliest of:

- a) age 65 with 5 years of credited service
- b) age 60 with 15 years of credited service
- c) 32 years of credited service

**APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS**

9. Rates of Disability

Age	Rate
20	0.08%
25	0.11
30	0.15
35	0.20
40	0.29
45	0.48
50	0.81
55	1.34
60	2.16

10. Administrative Expenses: 0.25% of projected annual payroll for the coming year.

11. Family Composition: Social Security awards during 1972 with female spouses assumed to be three years younger than their male. Sample rates follow:

Age	Male	Female
40-44	71.4%	63.1%
45-49	73.3	61.0
50-54	75.7	64.0
55-59	77.0	57.6
60-64	74.0	49.5
65-69	69.9	22.7

12. Changes Since Last Valuation: None.

# APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

## B. Actuarial Methods

### 1. Funding Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for a typical new entrant. The normal cost rate times payroll equals the normal cost. The normal cost plus member contributions and the present value of future amortization payments due from participating municipalities will pay for projected benefits at retirement for the average plan participant.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of plan assets is funded according to a schedule which is intended to amortize such unfunded actuarial liability fully after a period of years. This is in addition to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The payment to amortize the unfunded liability is amortized over a 10 year period from each valuation date. The payments are determined so that they will increase by 4% per year.

### 2. Asset Valuation Method

For purposes of determining the employer contribution rate to the plan we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long term nature of the actuarial valuation process.

The actuarial value of assets is a weighted average giving 20% weight to the current market value and 80% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contributions, less payments each year and 20% of the portion of each year's returns that have not already been reflected in asset values.

# APPENDIX C

## SUMMARY OF PLAN PROVISIONS

# APPENDIX C – SUMMARY OF PLAN PROVISIONS

## SUMMARY OF PLAN PROVISIONS AS OF JUNE 30, 2003 DELAWARE COUNTY AND MUNICIPAL PENSION PLAN

1. **Membership**  
The plan covers full-time or regular part-time employees and elected or appointed officials of a county or municipality including state governmental subdivisions.
2. **Member Contributions**  
3% of compensation which exceeds \$6,000 per annum plus an additional 2% of compensation in excess of the Social Security wage base.  
Interest is credited at the rate of 5% per year.  
Member contributions are made through an "employer pick-up" arrangement which results in deferral of taxes on the contributions.
3. **Credited Service**  
All service as a member plus certain claimed and purchased service.
4. **Final Average Compensation**  
Final average compensation is the average over the highest 60 consecutive months (or shorter period of total service).
5. **Social Security Wage Base**  
The amount of wages subject to Social Security (FICA) taxes (\$87,000 in 2003).
6. **Age 62 Social Security Benefit**  
The Age 62 Social Security benefit is determined using tables prepared by the Board of Pension Trustees' actuary based upon the Social Security Law in effect in the year of retirement. Adjustments are made if the Member can demonstrate that the actual Social Security benefit is lower than that used in the calculation.

# APPENDIX C – SUMMARY OF PLAN PROVISIONS

## 7. Normal Retirement

**Eligibility:** (i) age 65 with 5 years of credited service; or (ii) age 60 with 15 years of credited service; or (iii) any age with 30 years of credited service.

**Benefit:** 1 2/3% of final average compensation for each year of credited service.

At age 62 the plan benefit may not exceed 75% of final average compensation minus the Age 62 Social Security Benefit, multiplied by a ratio (not to exceed 1.25) of actual years of service over 30.

8.

## Early Retirement

**Eligibility:** age 55 with 15 years of credited service.

**Benefit:** Normal retirement benefit reduced by 0.4% for each month the member is under age 60 at the time of retirement.

9.

## Disability Benefit

**Eligibility:** 5 years of credited service

**Benefit:** Normal retirement benefit except benefits may not exceed 75% of final average compensation minus the Social Security disability benefit.

10.

## Survivor's Benefit

**Eligibility:** death while active with 5 years of credited service or death after retirement.

**Benefit:** For eligible survivors of employees who die in active service - 50% of normal retirement benefit employee would have been eligible to receive at age 62.

For eligible survivors of pensioners who die - 50% of pension received immediately prior to death.

Eligible survivors include: (1) widow or widower; or (2) child or children under 18, or between 18 and 22 and attending school on a full-time basis, or over 18 and permanently disabled before 18; or (3) dependent parent or parents.

## APPENDIX C – SUMMARY OF PLAN PROVISIONS

11. **Vesting**
- Eligibility: 5 years of credited service.
- Benefit: Normal retirement benefit payable at age 62 based on final average compensation and service at date of termination. In lieu of a pension, a member may receive a refund of accumulated employee contributions with interest. Upon application for a refund of contributions a member's vested right to a monthly benefit shall be forfeited.
12. **Withdrawal of Employee Contributions**
- Eligibility: Terminates service and is not eligible for other benefits.
- Benefit: Accumulated employee contributions with interest.
13. **Changes Since Last Valuation**
- None.